DUNDEE BANCORP INC.

2000 ANNUAL REPORT

DUNDEE BANCORP INC.
CORPORATE PROFILE

SERVING OUR SHAREHOLDERS, OUR CLIENTS AND THE COMMUNITY AT LARGE

Dundee Bancorp Inc. is primarily a holding company dedicated to wealth management and the financial services industry. Its domestic financial service activities are carried out through an 85% owned subsidiary, Dundee Wealth Management Inc. Dundee Wealth owns 100% of Dynamic Mutual Funds Ltd., and 100% of Dundee Securities Corporation and its sister companies, Dundee Private Investors Inc. and Dundee Insurance Agency Ltd.

Dundee and its subsidiaries espouse a working environment characterized by creativity, lateral thinking, a unique collegial atmosphere and long-term loyalty commitments with key personnel. The corporate objective is to achieve long-term growth in the per share value of Dundee's outstanding capital stock. We believe that the most important concern for our business is the creation of that value.

Dynamic Mutual Funds and its related divisions manage approximately $6.7 billion in assets and operate with several different and complementary investment disciplines. The investment process stresses the importance of anticipating and responding to new global investment patterns. Dynamic sells its products through more than 15,000 independent financial advisors across Canada.

Dundee Securities and its sister companies, with more than 350 trained financial advisors in more than 100 offices throughout Canada, administer approximately $6.8 billion in client assets. The companies are totally customer centric and utilize an open architecture, offering only the best available investment and insurance products to their clients.

DUNDEE BANCORP INC.
ANNUAL MEETING

The Annual Meeting
of the shareholders of
Dundee Bancorp Inc.
will be held on
Thursday, June 21st, 2001 at 4:00 p.m. (Toronto time)
at The Design Exchange,
234 Bay Street, Toronto-Dominion Centre,
Toronto, Ontario.

DUNDEE BANCORP INC.
CORPORATE PROFILE (continued)

Dundee Bancorp, for its own account, operates as a merchant bank providing capital to growing or undervalued businesses which are not in conflict with its fiduciary activities and can earn above average returns on investment capital.

The corporate portfolio holds meaningful equity ownership positions of other publicly traded companies. Investments with a total market value close to $500 million at the end of 2000 include interests of approximately 33% in Dundee Realty Corporation, 29% in Breakwater Resources Ltd., 9% in Laurentian Bank of Canada, 34% in Zemex Corporation, 8% in Dimethaid Research Inc., 8% in SureFire Commerce Inc., and 45% in Eurogas Corporation. Much information about these publicly owned companies is available in the public media including information released by the companies themselves from time to time.

Dundee Bancorp's corporate vision model, which was revised in mid-1998, is to use the financial strength of its corporate portfolio to complete its development into a fully integrated wealth management concern. This encompasses the creative manufacturing of financial product as well as the open architecture distribution of its own and the best third-party financial products available on the market.

Dundee has an ongoing commitment to provide philanthropic support to charities and community organizations throughout Canada. Every year on a consolidated basis Dundee Bancorp contributes one percent of pre-tax profit to The Dynamic Fund Foundation. This Foundation relies on locally based, independent financial advisors, who are important Dynamic Mutual Funds clients, to guide the Foundation to deserving causes. In addition to donations made directly by The Dynamic Fund Foundation, Dundee actively encourages employees to support their favourite charities by matching their contributions. During the year 2000, employee donations to The Dynamic Fund Foundation approximated $500,000. The Foundation facilitated the distribution of these donations to over 100 charities selected by the employees. Since its inception in 1992, The Dynamic Fund Foundation has donated over $3.7 million to charities chosen by independent financial advisors and Dundee employees.

DUNDEE BANCORP INC.
REPORT TO THE SHAREHOLDERS

We concluded last year's annual report message by stating that we are entering the 21st century totally focused on the financial service business. Our goal and our vision is to capture the solid growth prospects and profitability that the Canadian wealth management industry offers through our 85% owned subsidiary, Dundee Wealth Management Inc. During the year 2000, we continued with our repositioning of the Company towards that goal.

The financial affairs of the Company are more completely reported upon in Management's Discussion and Analysis, audited consolidated financial statements and notes that follow in this report. Our significant financial and non-financial service holdings are held in other publicly reported companies and information on them is readily available through normal sources.

Let me highlight some of the financial statistics for the year 2000 before continuing with a descriptive narrative about our Company and our vision:

- Consolidated revenues achieved a record high of $303.2 million as compared to $220.2 million in 1999.
- Consolidated operating income was down dramatically as a result of a decline in realized and equity accounted investment income, as well as higher costs associated with our financial service build-out, and was $7.5 million as compared to $32.7 million in 1999.
- Fully diluted earnings per share were down less dramatically to $0.24 from $0.45.
- Third-party assets under management remained steady at $6.7 billion.
- Domestic assets under administration increased from $13.2 billion to $13.5 billion.
- Consolidated book value decreased from $519.4 million to $509.0 million as a result of the repurchase for cancellation of subordinate voting shares and an accounting policy change with respect to income taxes on our equity accounted earnings.

While our financial results, other than showing record gross revenues, reflect a less than desirable comparative picture, let me assure you, my fellow shareholders, that we are sanguine about these results and our future prospects. We are in the final stages of completing the financial services platform necessary to achieve the growth and profitability we have worked diligently toward. While an increase in sales volume is the first step towards creating value, we do recognize that true shareholder value will only emerge from our ability to create sales revenues significantly in excess of cost.

The question that I am most frequently asked by all Dundee stakeholders and potential customers is — "What is your vision? What are you trying to achieve?" Dundee is the only Canadian wealth management company that has evolved from a successful mutual fund manufacturing facility to a company which today also includes a successful financial product distribution division. Over two years ago we fully recognized the emerging power shift in our industry, and responded. As a direct result of regulatory changes and the significant entry of the banking community into the wealth management industry, there has been a massive shift of power to the distributor of product from the manufacturer of product.

In these very pages in March 1998, we suggested that the mutual fund industry in Canada was in the midst of a "strategic inflection point", a time in the life of an industry when its fundamentals were about to change. We stated then that the fundamentals of mutual fund distribution were undergoing change. Our view was that the overwhelming success of the industry had awakened the "sleeping giants" of the banking community. In addition, the industry's relative ease of entry had created many new, smaller distribution companies that have since become formidable manufacturing competitors. We recognized, as well, that our business was undergoing a change in the manner that financial products are designed and delivered to customers. Index funds, various on-line trading schemes, exchange-traded funds, various types of wrap accounts, unbundled fee structures, alternative investments, self-directed portfolios, segregated high-net worth account management, and the overall thrust of information technology were beginning to have an effect, and we stated then that we must be repositioned.

We announced at that time that we were beginning a "long-term strategic transformation" in order to reinvent ourselves into a more competitive and broad wealth management concern. In our annual report message the following year, in April 1999, we reiterated our recognition that, in order to effectively compete, it was necessary to gain more direct access to the consumer through a first-class distribution channel. We guided shareholders to the realization that in order to achieve that long-term goal it would be necessary to take some short-term corporate pain. We also laid out our vision which emphasized our total commitment to the wealth management business. We stated our wish to grow the shareholder value of our Company by participating in the growth and profitability of the wealth management industry.

We described our vision model as a financially self-sufficient, fully integrated organization; a company that participates in all aspects of the retail wealth management business, from manufacturing financial products to distributing our own and the best third-party financial products available in the market — a completely open architecture financial organization. We stated then that "along with being creative and innovative in the manufacture of investment product, we look forward to offering investors one-stop financial shopping". This includes the host of financial services only made available today by the Canadian banking system or fully integrated U.S. based organizations.

We announced to the entire independent financial advisory channel that we were of the belief that it was essential to continue to provide top-notch, disciplined advice and service. We invited them to join us because we were one of the few mutual fund manufacturers to remain totally committed to the advisory channel. To this day, we have provided overwhelming support to that channel through our marketing, advertising, publicity and promotion.

More recently, on February 6, 2001, John Reucassel, a Chartered Financial Analyst with BMO Nesbitt Burns, made the following comment in an eleven-page research report on the Canadian mutual fund industry:

"Mutual fund distribution is changing. First, distributors are launching new products that compete directly with mutual funds. While potentially a new source of assets, these new programs could place mutual fund manufacturers at a competitive disadvantage by reducing contact with unitholders and gaining control over the revenue stream. Second, distributors are limiting access by focusing on fewer fund families. Third, Canadian banks have initiated programs to sell third-party funds through their retail branches. This new channel is open exclusively to the largest providers."

A recent report by Investor Economics, a highly regarded consulting firm to the Canadian financial services industry, discusses the vertical integration of financial service companies:

"A financial services organization reaches Nirvana when it has optimized ownership and/or control of the production and distribution for its overall wealth market activities. Yet pure vertical integration is no longer possible because both advisors and clients demand choice. The objective then is not to eliminate choice, but rather to exercise more control over it. The banks, in particular, are moving more in this direction by creating proprietary vehicles, offering third-party funds, expanding salaried/dedicated sales organizations, and building portfolio management capabilities."

No company, however large or prosperous, is safe from the convulsions of social, economic and technological change. Failure to adjust to a changing environment and losing relationships with critical constituents is a deadly combination. By necessity our Company is currently a work-in-progress project. We cannot look to our old competitors and industry compatriots to devise a successful business strategy for the future. We expect they will look to us as they learn to realize, as we have, that the road to success requires change and is a continuous construction project.

In response to recognizing this necessary change we have developed our vision, our business plan. We are even more heartened about our outlook when we study the recent move by Investors Group Inc., the largest proprietary mutual fund manufacturer and distributor in Canada. Investors Group's proposed acquisition of Mackenzie Financial Corporation not only sets a new price standard for pure mutual fund manufacturers, but it appears to be a move by that organization to change their model towards the vision model that we have outlined for ourselves.

We are now a little more than two years into our long-term vision of becoming a full-fledged financial services delivery system to the retail consumer. However, the short-term pain is not yet over. During the year 2000, and currently, our operating expenses are greater than optimal. Because of our changes, it was necessary to expend advertising and promotion dollars beyond normal. In addition, we had to develop an up-to-date back office delivery system for Dundee Securities. We have not yet achieved any of the cost or revenue synergies that we fully expect to achieve. During 2001, our Dynamic Mutual Funds advertising and promotion expenses will be normalized and the Dundee Securities back office system should be complete and technically up to competitive speed. We have enhanced and broadened the depth of our investment management process and have created a first-class product management and product creation team. At the time of writing, we have begun to realize some of the revenue synergies with more to come, and our expectation is to begin to achieve cost synergies in the latter half of this year.

This build-out to our vision has been achieved while we have continued creating and selling products, integrating our back office operations and compliance procedures, and staying ahead of the toughened regulatory regime in which we live. To combine a corporate culture driven and yet somewhat frightened by change, with a market driven by competition and current negativity, has its difficult days — we have experienced some during the last twelve months.

Our vision is not yet complete. We have an application before the regulatory authorities to create a trust company. We expect that, under the not-yet-announced banking legislation, we will be able to move from a trust company base to provide retail banking services in the near future.

While we have the economic critical mass in assets under management, we know that we are still deficient in critical mass in terms of the number of independent financial advisors that we service. We are still at least one year away from achieving that economic critical mass, as well as enjoying the significant revenue and cost synergies available to us from the entire organization working as a single unit.

While we are taking some short-term pain for long-term gain, we are ahead of our original financial budget and quite satisfied with our progress. The financial strength of the Company remains intact and we understand the priorities of our vision. We know that the financial services industry will continue to be a growth business, and are satisfied that we have the organizational structure and financial resources to achieve a share of that future growth, not only in revenues but in profits as well.

We have the resources and human talent as well as the processes, discipline and the appropriate tools to carry out our visionary goals. Our greatest challenge lies in aligning the personal values, beliefs and passion of more than 1,000 employees with our corporate vision. That is our project for the year 2001.

While our vision necessarily outlines the future, only passion, training, teamwork and discipline will allow us to realize the full potential of that future. We are using the best available information, and we have and will recruit the best people to get us to that fully integrated financial service platform. We are focused on that one goal and intend to achieve it. We recognize that our program of achieving an envied financial service platform, while competing against the Canadian banking community, is a formidable task. We face entrenched competitors who have enjoyed a cartel-like oligopoly for years. Perhaps that fact works as much in our favour as a smaller, flexible, entrepreneurial organization, as it does against it. Our ambitions, however, are realistic and we expect future significant economic growth especially as we start from a relatively small base.

A climber of Mount Everest requires many thousands of steps, and likely a few hundred painful slips along the way. Achieving our vision will require time, effort, patience, faith and a passion to get there. Short-term difficult goals are only achievable if we retain the mental preparedness aligned with our long-term vision. As a fellow shareholder, I promise each of you that we will not sacrifice our promise to increase long-term value per share in order to achieve our vision, but as life usually expresses itself, expect to see us take some minor slips and falls along the way, only to get up and try again.

The second most frequently asked question by shareholders, and also by some employees is — "Why not just sell our wealth management business?" The question is usually prefaced with the fact that our Company is worth more if our assets were sold than what our shares are trading for in the public market. This, of course, was the subject of last year's annual report where we provided information that showed our stock was worth more than $30.00 per share and was trading at $14.00 per share. Fortunately, even during the current dreadful market conditions since last year, our stock price is a healthy 21% ahead of last year. Unfortunately, we are still trading well below our fundamental intrinsic values, which we believe have increased during the year.

We are in the process of building a financial service company to service the Canadian wealth management industry. To achieve that build-out we not only need the existing parts of our Company, we actually still need to create or acquire others. Accordingly, to fulfill our vision, we are interested in growing our Company organically or by acquisition or merger, not by selling those financial service components that we have worked hard to build.

From my position as the Chief Executive Officer, turning a vision into a corporate reality means that I have to oversee the change of a culture that has worked so well for us for many years. This change is doubly difficult because the building of a new culture and the necessary skills for a changed business plan obviously takes time away from the work more directly related to the business of serving customers and earning revenue.

The successful completion of our vision requires a shared understanding of our new corporate culture and values, as well as a "buy-in" by all stakeholders of our vision, and an understanding of how we should work together to achieve our goals. Making the choices to create shareholder value in the financial service industry means that others in our Company have joined with me in the creation of our vision. We have many people with passion who know where the Company wants to go and even more importantly how they and the Company can benefit together from their better skill levels and the achievement of our goals.

The build-out of our business plan, while continuing to run business as usual, is a great challenge. It is the goal I and others of our management team are totally devoted to achieving. We must address our delivery system to customers, but we must also be aware of those internal areas such as employees, technology and other organizational assets that will enable our team to go to market with the new products that have been created. We know that with proper attention to all the facets of our business and an embedded and passionate organizational culture, we will create even greater shareholder value going forward. Virtually every asset in our Company, financial service or not, has been developed with significant Dundee assistance and we are very proud of our ability to create shareholder value.

This annual report commentary is being written while we are experiencing a serious global down draft in the stock market. It is during times like this when one begins to wonder about the efficacy of one's vision and long-term goals, especially when the very nature of the outlook of our financial service business is significantly levered upon the same psychological factors that drive the capital markets. Accordingly, we are mentally prepared for even more difficult days ahead but are comfortable that our overall financial position is more than sufficient to weather any storm. This is a good time to be a builder in our industry.

While the year 2000 proved to be a continuation of our work-in-progress culture, we remain very proud of our achievements and totally dedicated to continuing the build-out towards our vision. We intend to improve on our success by providing our customer base with the highest quality products and superior service and advice. There really is no end to the restructuring and reinventing of an organization, however change brings new business, new opportunities and more profits. We know that when we near completion, we will achieve the valuation recognition to which we aspire.

As part of the process of more completely redirecting the Company to the financial service industry, it is obviously absolutely necessary to restructure our non-financial service corporate portfolio. It is our intention that some selected assets therein will be bundled into two separate capital pools; one specializing in private equity capital investing and one in resource merchant banking. These pools will be structured in a manner that will allow third-party investors to participate in our future activities. In other words, we will create two new investment products which will be managed by our financial service subsidiary and earn investment management and financial service fees.

Other parts of our non-financial service portfolio will be combined to create a stand-alone company in order to achieve the critical mass acceptable to institutional investors, as well as to be better positioned as a vehicle for industry consolidation.

We will increase our holdings in some instances such that we achieve at least a fully consolidated position, or 100% ownership and control of operating cash flow. Some other positions will be sold in entirety in a timely fashion.

Using our own corporate finance management team, we plan a busy year and obviously more will be reported upon as we go public with our specific plans. To divulge any further details at this time may inhibit our ability to achieve our end.

Notwithstanding the position of the current capital markets, we are living in a unique era — an era that is on the cusp of what could be the greatest period of innovation and creativity. The world has more than enough food to feed itself and technology and mechanization allow the performance of many physical tasks which were overwhelming in the past. The internet, satellites, video and wireless communication, on a worldwide basis, allow unbelievable amounts of collected knowledge to be instantly available almost anywhere. We have faith that North America remains the greatest democratic land of opportunity and we expect that prosperity will soon resume for our global capital markets.

On behalf of our board of directors and with your permission, on behalf of all shareholders, I want to thank those dedicated members of our management and staff for their service above and beyond expected duty during these difficult days of "work-in-progress".

Ned Goodman
Chairman, President & Chief Executive Officer
March 31, 2001

DUNDEE BANCORP INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

DUNDEE BANCORP INC. (the "Company" or "Dundee Bancorp") is a merchant banking and financial service company. Through its 85% owned subsidiary, Dundee Wealth Management Inc. ("Dundee Wealth"), the Company is engaged in the provision of financial services in Canada. The Company also operates internationally from Bermuda, the Cayman Islands and India. These financial service operations provide a broad range of financial products to individuals, institutions and corporations. The Company also manages its own investment and merchant banking portfolio.

In 1999, the Company entered into various transactions with its subsidiary, Dundee Wealth, following which Dundee Bancorp's Canadian financial service and investment management subsidiaries were reorganized into subsidiaries of Dundee Wealth. Simultaneous with the reorganization of the Company, Dundee Wealth acquired a lárge base of assets under administration by purchasing the client accounts and related goodwill of certain investment advisors. As part of the acquisition, the broker or dealer registrations of the investment advisors, as well as their client accounts, were transferred to either Dundee Securities Corporation ("Dundee Securities") or Dundee Private Investors Inc. ("Dundee Private"), two operating subsidiaries of Dundee Wealth, significantly expanding the Company's network of qualified investment professionals. Dundee Wealth also acquired, through a share acquisition, 100% of the shares of Infinity Funds Management Inc. ("Infinity"), a private mutual fund manager with assets under management of approximately $800 million. The operations of Infinity were subsequently amalgamated with those of Dundee Wealth's other investment management subsidiary, Dynamic Mutual Funds Ltd. ("Dynamic"). The Company's comparative 1999 income includes the operating results from these acquisitions from August 30, 1999, the effective date of the transaction.

Late in 1999, Dundee Bancorp, along with its subsidiary, Dundee Wealth, made a joint take-over bid for 100% of the common shares of Peelbrooke Capital Inc. ("Peelbrooke"), formerly a registered securities dealer. The acquisition of Peelbrooke was completed in January 2000. Therefore, the operating results of Peelbrooke are not included in the 1999 comparative operating results of the Company.

During the current year, the Company made significant progress in integrating the operations resulting from the above acquisitions with those of its own operations.

OVERVIEW OF THE BUSINESS OF DUNDEE BANCORP INC.

The Wealth Management Division

Dundee Wealth is a Canadian, integrated financial service company providing wealth management to independent financial advisors, institutional investors, corporations, individuals and foundations. Investment management services are provided through Dynamic, a wholly-owned subsidiary of Dundee Wealth. Management and investment advisory services provided by Dynamic result in the Company earning management fees which are generally calculated as a percentage of the current

market value of the assets managed. Therefore, revenue levels are largely dependent on growth in assets under management. Management fee revenue also varies based on the mix of assets managed. The Company may also earn performance fees on certain assets under management when the investment performance of these assets exceeds the applicable benchmark.

The wealth management division also earns redemption fee revenues. Mutual fund investors are subject to such fees when they purchase mutual fund units on a deferred sales charge basis and redeem these units before completing six years of ownership. Redemption fees are generally calculated as a percentage of the value of the units redeemed and start at 6%, declining to zero after six years. In the case where redemption fees paid by mutual fund investors are in respect of units financed by third parties, the redemptions are paid directly to such third parties and are not included in the Company's revenue.

Certain of the Company's expenditures can be attributed directly to the level of assets under management and will vary accordingly. These expenditures include commissions paid on sales of mutual funds sold on a deferred sales charge basis as well as ongoing trailer fees paid to third-party brokers and dealers.

Financial service revenues include revenues earned from Dundee Wealth's brokerage operating subsidiaries including Dundee Securities, a registered securities dealer, Dundee Private, a registered mutual fund dealer and Dundee Insurance Agency Ltd. ("Dundee Insurance"), an insurance broker. Together, these subsidiaries provide a full range of investment banking, institutional sales and trading and research and retail brokerage services to individuals and corporations. These subsidiaries generate revenue from both their institutional and retail client asset bases. The retail sales group is comprised of over 350 investment advisors with approximately $6.8 billion in assets under administration. The primary focus of the institutional and trading group is the selling, purchasing and trading of equity and equity-related securities. Corporate finance revenue is earned from participation in equity financings and by providing financial advisory services, including mergers and acquisitions advice and valuations and fairness opinions in a variety of industry sectors.

Investment advisors and institutional sales professionals are compensated by a varying commission, generally calculated as a percentage of the associated retail commission revenue or trailer revenue or associated institutional commission, trading profits or corporate finance revenue earned by the Company in respect of that individual. These compensation costs are included in selling, general and administrative costs and are directly related to changes in financial service revenue.

Investment and Merchant Banking Portfolio

The Company actively manages its own investment and merchant banking portfolio. Revenues earned from this corporate portfolio include net realized gains on sales of investments as well as dividend and interest income. Certain of the Company's portfolio investments are accounted for using the equity method which will result in the Company recognizing its proportionate interest in the operating results of the underlying investment. The Company may make provisions for investments that, in the opinion of management, have an other than temporary decrease in value. However, unrealized holding gains or losses generated in the portfolio during the year are not recorded in the operating results of the Company, therefore, reported earnings are only a partial measure of results in any given year.

The major investment and merchant banking portfolio holdings are set out below.

Dundee Realty Corporation ("Dundee Realty") (TSE – D)

Real estate is a unique asset class in that it has generated wealth over many periods in many areas throughout the world. In particular, rental properties have predictable cash flow from long-term contracts and most operating expenses are passed through to tenants pursuant to their leases. The cash flow is further improved through the moderate use of low-cost, fixed rate debt.

Dundee Realty was founded in 1996 in order to participate in this asset class. Since its inception, Dundee Realty's assets have grown to $1.1 billion and the company is now included in the TSE 300 Real Estate Index.

Dundee Realty's objective was to establish a solid financial platform for income growth and value enhancement. The core of Dundee Realty's strategy is the ownership and management of well located, highly functional office and industrial buildings. The company is diversified through the ownership of over 150 assets, with geographic distribution across Canada. The secondary focus of Dundee Realty is its land and housing operations in Western Canada and Colorado.

Dundee Realty started its operations in 1996 when real estate assets were trading below our calculated long-term intrinsic value. Dundee Realty began by concentrating on land and housing to generate higher returns and soon shifted its emphasis to rental properties to benefit from the recurring revenue. Dundee Realty grew by issuing equity and maintaining a low debt ratio. With continued growth, the emphasis shifted to creating an efficient responsive operating platform.

An example of one such opportunity is the development of the former Revenue Canada building in downtown Toronto. Acquired for only $31 per square foot, the building has been totally redeveloped and will open this fall as the State Street Financial Centre. The building will be the first new building completed in downtown Toronto since the recession of the early nineties. Once completed, the building will represent about 5% of Dundee Realty's portfolio, will be one of the higher quality assets and will have one of the highest returns.

Over the last few years, Dundee Realty has allocated its capital among acquisitions and development, investment in operational improvements, debt repayment and share repurchases. Since mid-1998, Dundee Realty has purchased and cancelled 21% of its outstanding shares. Dundee Realty now has the large scale, healthy cash flow, conservative debt ratio and growing reputation to create its own opportunities, deliver strong financial results over the long term and realize value for its shareholders.

At December 31, 2000, the Company held 52.3 million shares of Dundee Realty or 33% of the total shares issued and outstanding.

Breakwater Resources Ltd. ("Breakwater") (TSE – BWR)

Breakwater increased its zinc production in 2000 by 20% to a record 461 million pounds and added 10 million pounds of copper. These increases were due to the acquisition of the Bouchard-Hébert and Langlois mines in Québec in mid year.

For the year 2000, Breakwater earned $13.6 million before property write downs of $27 million for a net loss of $13.5 million compared with net earnings of $22.5 million in 1999.

Breakwater continues to produce its main product, zinc, at a cash cost of $0.40 per pound and is expected to produce 476 million pounds in 2001. The major determinant of Breakwater's earnings and cash flows is the zinc price, which, at present is weak due to the current slowdown in the economy. Since each $0.01 increase in the price of zinc impacts earnings and cash flows by $4.6 million, Breakwater is in an excellent position to benefit from a recovery.

At December 31, 2000, the Company held 26.9 million shares of Breakwater or 29% of the total shares issued and outstanding.

Eurogas Corporation ("Eurogas") (TSE – EUG)

Early in 2001, Eurogas completed the sale of its interest in the Yaro Yakinsk field in Russia to a major Russian oil company. As a result, Eurogas received cash proceeds of US$16 million. This sale resulted in a loss on disposal, which is reflected in 2000 as a write down of properties. With the sale, Eurogas is able to repay all of its debt, including a debenture owing to Dundee Bancorp, and is well positioned to pursue its exploration activities in Tunisia and to continue with its gas storage project in Spain.

At December 31, 2000, the Company held 33.8 million shares of Eurogas or 45% of the total shares issued and outstanding.

Black Hawk Mining Inc. ("Black Hawk") (TSE – BHK)

Black Hawk is a junior gold producer, and following its restructuring at the end of 1999, has become profitable, in spite of continued low prices realized for gold.

During 2000, Black Hawk had earnings of US$2.4 million compared with a loss of US$12.4 million in 1999. Black Hawk is expected to produce 75,000 ounces of gold in 2001 at a cash operating cost of approximately $170 per ounce.

At December 31, 2000, the Company held 26.2 million shares of Black Hawk or 19% of the total shares issued and outstanding.

Zemex Corporation ("Zemex") (TSE, NYSE – ZMX)

Zemex is a leading producer of industrial minerals, specialty materials and, through its Alumitech division, reprocesses aluminum drosses with patented zero discharge technology. Zemex currently has facilities across the United States and Canada. Its products are used in a variety of industrial and commercial applications that are sold throughout North America and Europe.

During 2000, as a result of steps taken to increase shareholder value, Zemex sold its Pyron metal products division, realized a pre-tax gain of US$15.7 million and as a result of this sale, was able to reduce its long-term debt significantly. For the year 2000, Zemex incurred a net loss of US$8.0 million, compared with net earnings of US$5.8 million in 1999. The 2000 earnings include a one-time charge of US$27.7 million in addition to the gain from Pyron. The major reason for the charge was the curtailment of the production of calcium aluminate and the write down of the assets of that business segment.

Zemex's industrial minerals group continues to have strong operating results and is expected to have continuing strong performance from this division in 2001. The Alumitech group which had a negative impact on profitability in the past year has curtailed production of calcium aluminate and is expected to make a positive contribution in 2001.

At December 31, 2000, the Company held 3.0 million shares of Zemex or 34% of the total shares issued and outstanding.

Offshore Operations

The Company's offshore activities are conducted through several subsidiaries.

The Dundee Bank

The Dundee Bank is a bank incorporated under the laws of the Cayman Islands. The offshore merchant banking activities of the Company are carried out through this entity.

Goodman & Company (Bermuda) Limited

Goodman & Company (Bermuda) Limited provides investment management services to private clients and is also the manager of Dynamic Mid-Ocean Global Fund Limited, a Bermuda-based asset allocation mutual fund.

The Leeds Group

The Leeds Group is comprised of Leeds Management Services Ltd., incorporated under the laws of Bermuda, Leeds Management Services (Cayman) Ltd., incorporated under the laws of the Cayman Islands, and Leeds Management Services (BVI) Ltd., incorporated under the laws of the British Virgin Islands. The Leeds Group provides administrative services for mutual funds, hedge funds and other investment clients. The Leeds Group also provides accounting, administration, registrar and transfer agency, corporate secretarial and other services relating to the management of offshore companies.

Dundee Bancorp (India) Pvt. Ltd.

The Company, through The Dundee Bank, owns a 75% interest in Dundee Bancorp (India) Pvt. Ltd., a start-up locally-based merchant banking and mutual fund company incorporated under the laws of India.

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2000 COMPARED TO DECEMBER 31, 1999

Net income for the year ended December 31, 2000 was $6,357,000 or $0.24 per share compared with $12,091,000 or $0.46 per share in 1999.

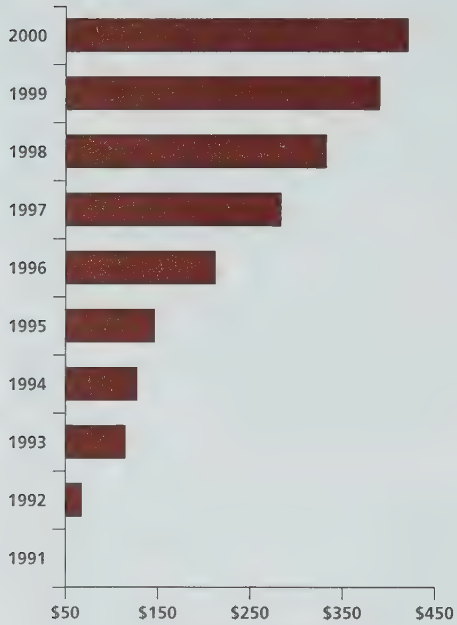
REVENUES

Management and Administration Fees

Mutual Funds

Mutual fund management fee revenue, before accounting for performance fees earned, was $114.5 million in 2000 compared with $96.8 million in 1999. Average assets under management have increased from $5.4 billion during 1999 to $6.1 billion during fiscal 2000. This increase in average assets under management has generated an additional $11.9 million in mutual fund management fee revenue, the remaining increase of $5.8 million being attributed to a change in the underlying mutual fund asset mix.

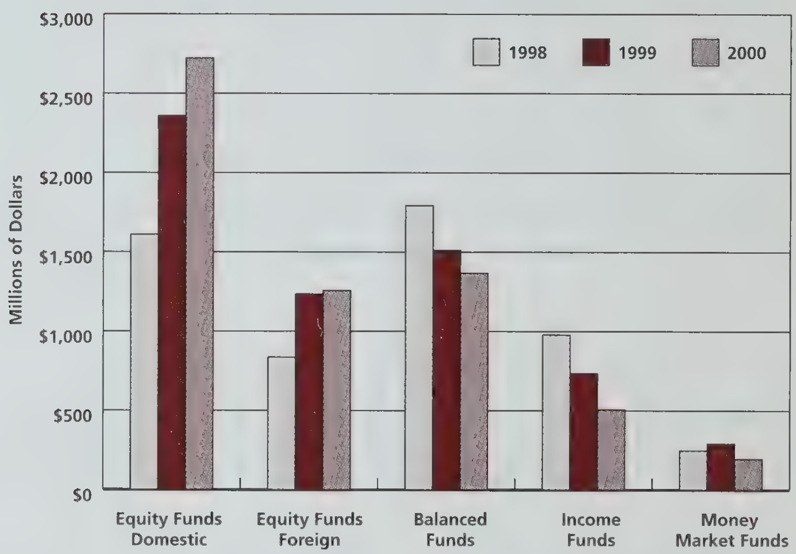
CANADIAN MUTUAL FUND INDUSTRY
Assets Under Management



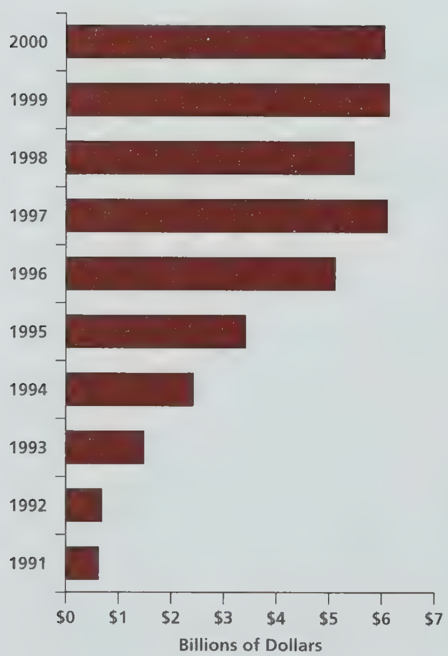
The Canadian mutual fund industry grew 8% during 2000 to $420.3 billion in total assets under management, as reported by The Investment Funds Institute of Canada. At the end of December 2000, total mutual fund assets in the Dynamic Mutual Fund Group were $6.046 billion, a 1.4% decrease from $6.132 billion at the end of 1999. Gross sales of mutual funds, including Viscount increased by over 115% year-over-year, from $443 million in 1999 to $951 million in 2000. Redemptions decreased slightly from $1.3 billion in 1999 to $1.2 billion in 2000.

Management fees range from 0.5% to 0.75% on money market funds, from 1.25% to 2.00% on income funds, and from 1.25% to 2.25% on equity and balanced funds. The proportion of assets in each asset class affects the total management fees earned by the Company.

Mutual Fund Asset Mix



DYNAMIC MUTUAL FUNDS
Assets Under Management



The asset mix has shifted towards investments in equity and balanced funds rather than fixed income or money market funds. Of total gross sales in 2000, over 80% were invested in equity and balanced funds compared with approximately 65% in 1999. Redemptions in the equity and balanced funds decreased from 72% of total redemptions in 1999 to 68% in 2000. The increase in assets invested in equity funds has contributed to an increase in the average rate of management fees earned by the Company from 1.77% in 1999 to 1.87% in 2000.

In addition to a base management fee, the Company may earn a performance fee if the annual investment returns of certain funds exceed the applicable comparative benchmark. During 2000, performance fees totalled $3.2 million compared with $8.2 million during 1999.

Goodman Private Wealth Management

Goodman Private Wealth Management, a division of Dynamic, provides comprehensive professional investment management for high net worth individuals. Management fees increased from $0.95 million in 1999 to $1.2 million in 2000.

CMP Limited Partnerships

Dundee Wealth created the CMP group of companies to reintroduce the use of a limited partnership vehicle to invest in a diversified portfolio of flow-through shares of resource companies. In December 1999, CMP 1999 Resource Limited Partnership raised approximately $6.2 million. During 2000, an additional $34.4 million was raised in CMP 2000 Resource Limited Partnership and CMP 2000 II Resource Limited Partnership. The Company earns an average management fee of 2% from these limited partnerships. Total revenue earned during 2000 was $0.3 million.

Management Fees from Other Assets under Management

The Company earned $2.2 million in 2000 from the management of various other fiduciary assets. This compares with $1.9 million for the twelve months ended December 31, 1999.

Offshore Management and Administration Fee Revenue

During the current year, the Company earned management and administration fee revenue of $2.6 million (1999 – $2.7 million) from its offshore activities.

Third Party Assets Under Management

(In millions of dollars)

	December 31, 2000		December 31, 1999	
Dynamic Mutual Funds	$	6,046	$	6,132
Other		640		472
Total Assets	$	6,686	$	6,604

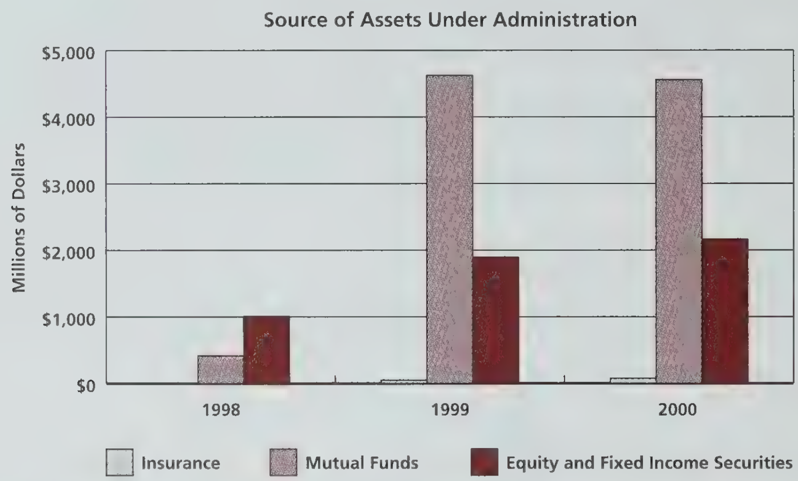
Redemption Revenue

Units of mutual funds purchased by investors on a deferred sales charge basis are subject to a redemption fee which becomes payable by the investor if the units are redeemed within six years. The redemption fee is payable to the entity that funded the payment of the deferred sales charge at the time of the investment. Redemption fees are recognized as income on the settlement date of a mutual fund redemption. Total redemption fees received during 2000 were $20.3 million (1999 – $24.7 million) reflecting reduced redemption levels in the Dynamic Mutual Funds.

Financial Services Revenue

Retail Commission and Trailer Revenue

Dundee Securities, Dundee Private and Dundee Insurance distribute a wide range of investment products including mutual funds, equity and fixed income securities, and life and disability insurance and segregated investment products. A significant portion of assets administered are invested in mutual funds which provide Dundee Securities and Dundee Private with an ongoing trailer fee calculated as a percentage of assets invested in various mutual funds. Mutual fund management companies provide investment advisors and financial planners with this fee to recognize the ongoing service they provide to mutual fund clients.



Commission and trailer revenue earned in 2000 was $82.5 million compared with 1999 commission and trailer revenue of $30.0 million. A substantial portion of this increase can be attributed to the increase in the number of investment advisors resulting from the acquisition of client accounts and related goodwill completed by Dundee Wealth in August 1999 as well as a significant increase in transaction volume during the first half of the current year.

Capital Markets

Institutional sales – Commission revenues earned from institutional sales increased 30% from $9.1 million in 1999 to $11.9 million in 2000.

Corporate Finance Revenue – During 2000, the Company earned $11.8 million in corporate finance revenue including $8.7 million earned through participation in various new equity issues and $3.1 million in financial advisory fees. By comparison, total corporate finance revenue earned in 1999 was $6.7 million, of which $5.6 million was earned through participation in various new equity issues, with the remaining $1.1 million earned as financial advisory fees.

Principal Trading Revenue – Included in principal trading revenue of $21.9 million (1999 – $7.7 million) are trading profits and losses earned by registered traders and other positions held or sold short by Dundee Securities, including compensation warrants for new issues.

Offshore Financial Services Revenue

Total financial services revenue earned by our offshore operations was $275,000 in 2000, a slight decrease from the $296,000 earned in 1999.

Investment Income

The Company manages its own portfolio of securities, both directly and through several wholly-owned subsidiaries. Net gains from sales of investments were $15.5 million in 2000 compared with $25.8 million in 1999. This decrease in realized gains affects the overall reported profitability of the Company for the year. However, the Company's portfolio is managed with a long-term perspective, therefore realized gains or losses are expected to vary from period to period. Unrealized holding gains or losses in the portfolio are not recognized in income.

In 2000, the Company added $9.5 million to its provision against unrealized decreases in investments held as of December 31, 2000.

EXPENSES

Selling, General and Administrative

Selling, general and administrative expenses were $204.8 million in 2000 compared with $106.6 million in 1999. The 2000 operating expenses reflect the first full year of operations after the reorganization completed in 1999 and include the purchase of Infinity and the acquisition of client accounts and related goodwill by Dundee Wealth. Selling, general and administrative costs in the wealth management division increased from $103.3 million in 1999 to $196.4 million in 2000, a 90% increase from the previous year. Selling, general and administrative costs of the corporate division increased from $8.8 million in 1999 to $10.6 million in 2000. Offshore entities represent $5.6 million of total selling, general and administrative costs in 2000 compared with $3.5 million in 1999.

The Wealth Management Division

The single largest component of selling, general and administrative expenses in the wealth management division relates to compensation and benefits. Total compensation and benefit costs during 2000 were $130.5 million compared with $71.3 million in 1999. Included in compensation and benefit expense is variable commission costs paid to brokers and dealers. These compensation costs are generally calculated as a percentage of financial service revenue, excluding interest on margin accounts and general administrative type revenues. During 2000, the company paid an average of 68% of these financial service revenues or $86.9 million in compensation costs. By comparison, during 1999, the wealth management division paid an average of 57% of these financial service revenues or $30.6 million in compensation costs. The increase in the percentage of financial services paid in compensation costs results from a change in the proportion of total institutional transactions compared with retail transactions that generally pay a higher commission payout amount.

During 2000, Dynamic, a subsidiary of Dundee Wealth, launched an extensive advertising campaign to raise awareness of the Dynamic Mutual Funds brand name and the products and investment management styles it offers. This increased total advertising costs by approximately $5 million.

The Corporate Division

General operating costs of the corporate division have remained constant year-over-year, at slightly under $9 million per year. However, during 2000, the Company incurred $2 million in legal and other costs defending certain actions. These costs are not expected to recur.

Offshore Activities

Selling, general and administrative costs associated with the Company's offshore activities during 2000 include the general operating costs of Dundee Bancorp (India) Pvt. Ltd. In prior years, the operating costs of Dundee Bancorp (India) Pvt. Ltd. were deferred as it was still in the development stage. Total costs associated with Dundee Bancorp (India) Pvt. Ltd. were US$1.6 million or Canadian $2.4 million.

Amortization of Deferred Sales Commissions

Amortization of deferred sales commissions increased to $43.9 million in 2000 compared with $43.3 million in 1999. Commissions paid by the Company on the sale of mutual fund units sold on a deferred sales charge basis are recorded at cost and are amortized on a straight-line basis over five years.

The carrying value of the deferred sales commissions on December 31, 2000, declined to $71.8 million from $98.3 million in 1999.

It is the Company's policy to internally finance mutual fund sales commissions relating to the sale of mutual fund units sold on a deferred sales charge basis. While the Company could use outside financing vehicles to fund these expenditures, it has chosen to finance them from working capital. This provides the Company with an immediate tax deduction and allows the Company to retain full ownership of future management fees and redemption revenue that it would otherwise have given up to alternative financing vehicles. However, as part of the Infinity acquisition completed by Dundee Wealth in 1999, the Company assumed certain obligations pursuant to two outside financing vehicles, the Infinity 1997 Limited Partnership and the Infinity Income Trust. Redemption fees associated with units financed by these two vehicles are paid to the financing vehicles and are not retained by the Company. Additionally, a subsidiary of the Company has ceded a portion of its monthly management fee in respect of units financed by these two vehicles to be paid to these vehicles as additional consideration for the financing provided.

The contingent redemption fee payable by Dynamic Mutual Funds unitholders if all assets sold on a deferred sales charge basis were redeemed approximates $156 million at December 31, 2000 (1999 – $186 million). Total contingent amounts payable in respect of third-party financing vehicles at December 31, 2000 were $11.6 million.

Trailer Fees

The Company, through Dynamic, pays trailer fees to third-party brokers and dealers to assist them in providing ongoing service to clients in respect of mutual funds managed by the Company. Trailer fees paid by the Company during 2000 were $22.0 million (1999 – $19.0 million). As trailer fees are calculated as a percentage of assets, trailer fee expense is expected to increase with growth in average assets under management.

Interest Expense

On September 24, 1997, the Company issued $150 million, 6.70% senior debentures. Included in 2000 and 1999 interest expense is $10.1 million of interest on the debentures.

Expansion of the wealth management division has resulted in the Company arranging for increased borrowings pursuant to credit facilities including a revolving credit line at the Dundee Wealth corporate level and several call loan facilities provided to Dundee Securities. Interest on these borrowings amounted to $3.1 million during 2000.

Depreciation and Amortization

Included in amortization expense during 2000 is amortization of goodwill totalling $5.7 million. Amortization of goodwill has increased significantly from approximately $2.7 million in 1999 because of the business acquisitions completed late in 1999 and early 2000. This goodwill is being amortized on a straight-line basis over 20 years.

OTHER ITEMS IN INCOME

Share of Earnings in Equity Accounted Investments

Certain of the Company's investments are accounted for using the equity method whereby the Company includes its proportionate interest in the earnings and losses of these investments in the Company's consolidated earnings in accordance with generally accepted accounting principles. The equity method will also result in the calculation and recognition of a gain or loss on the investment if the Company's percentage ownership is diluted because of the issuance, by the investee, of additional shares.

The Company accounts for the following investments on an equity basis:

(In thousands of dollars)

				2000				1999
	Year End Ownership	Equity Earnings (Losses)	Dilution Gains (Losses)	Carrying Value	Year End Ownership	Equity Earnings (Losses)	Dilution Gains (Losses)	Carrying Value
Dundee Realty Corporation	33%	$ 4,835	$ –	$ 121,540	30%	$ 3,639	$ 3	$ 125,282
Breakwater Resources Ltd.	29%	(3,412)	(2,843)	62,082	33%	7,486	(2,387)	68,337
Eurogas Corporation	45%	(4,207)	(54)	13,918	45%	(313)	(117)	18,179
Black Hawk Mining Inc.	19%	682	(316)	3,607	20%	(3,846)	(373)	3,241
Zemex Corporation	34%	(3,861)	(1)	36,559	33%	2,873	(278)	40,421
Other		(174)	–	7,271		67	443	8,221
		$ (6,137)	$ (3,214)	$ 244,977		$ 9,906	$ (2,709)	$ 263,681

Non Recurring Item

A subsidiary of Dundee Wealth had an employee incentive arrangement whereby certain key employees of the subsidiary participated in the profits of its investment counselling division. In the event of departure of an employee, a change in control of the subsidiary, the buyout by the Company of an employee's interest, or the termination of the employee incentive arrangement, the employee was entitled to an amount equal to a multiple of the average of the earned share of profits of the subsidiary for the current and previous fiscal periods. During 1999, the Company exercised the termination provision of the arrangement at a cost of $9.9 million.

Income Taxes

The income tax recovery rate for fiscal 2000 results from a re-evaluation of the Company's future income tax assets and future income tax liabilities in light of proposed changes to income tax rates, both at the federal and provincial levels. In addition to income tax rate reductions, the February 28, 2000 and October 18, 2000 federal budgets proposed substantial reductions in capital gains rates from 75% before 2000 to 50% after 2000.

The future income tax liability recorded by the Company in respect of the dilution of its interest in Dundee Wealth as a result of the 1999 reorganization was recalculated based on the reduced capital gain rate. This resulted in Dundee Bancorp recording a one-time recovery of taxes in the amount of $9.4 million. In accordance with Canadian generally accepted accounting principles, the recovery resulting from the rate change was recognized in the current year's income tax provision.

LIQUIDITY AND CAPITAL RESOURCES

Total cash and short term investments at December 31, 2000 were $106.5 million compared with $138.0 million at the end of 1999.

The Company manages its resources in order to maintain sufficient liquidity to meet ongoing working capital requirements, service its debt, ensure compliance with regulatory capital requirements, fund the expansion of its current operations and pursue new business opportunities.

On September 24, 1997, the Company completed a public issue of $150 million, 6.70% senior debentures due September 24, 2007, generating cash proceeds to the Company, after issue costs, of $148 million. Subject to certain covenants, the debentures do not restrict the ability of the Company to raise additional equity capital or to incur additional unsecured debt. Certain of the Company's subsidiaries are restricted from incurring indebtedness in excess of specified amounts. During 2000, the Company made interest payments of $10 million on these debentures.

Significant amounts of cash are paid by the Company to fund sales commissions on purchases of mutual funds. During 2000, increased sales levels in the mutual funds have resulted in an increase in sales commissions to $17.4 million compared with $9.7 million in 1999.

Under the terms of a normal course issuer bid, the Company purchased Class A Subordinate Voting Shares for cancellation at a total cash outlay to the Company of $9.3 million. Subsequent to the year end, the Company announced that it had obtained approval from The Toronto Stock Exchange to continue to purchase its own Class A Subordinate Voting Shares in the market for cancellation pursuant to a normal course issuer bid.

During 2000, the Company arranged for a revolving term, unsecured credit facility for $20 million. Interest on the credit facility accrues at a Canadian chartered bank's prime lending rate. Borrowing pursuant to the credit facility totalled $9.5 million at December 31, 2000. In addition to the credit facility, the Company's investment portfolio and operating cash flows from mutual fund operations provide significant amounts of capital to fund any foreseeable commission expenditures and to fund future portfolio investments. These sources of cash also provide the Company with sufficient liquid resources to fund any acquisition of shares pursuant to its normal course issuer bid.

Dundee Wealth has also arranged for an unsecured credit facility for $20 million. Interest on Dundee Wealth's credit facility accrues at a Canadian chartered bank's prime lending rate. At December 31, 2000, Dundee Wealth had borrowed $13.0 million pursuant to this credit facility to fund ongoing working capital requirements. In addition, Dundee Wealth's subsidiary, Dundee Securities, has established loan facilities with Canadian chartered banks, secured by either unpaid client securities and/or securities borrowed or owned by Dundee Securities. Total amounts borrowed pursuant to these loan facilities were $23.3 million at the end of 2000.

SHARE CAPITAL

During 2000, the Company issued 100,000 Class A Subordinate Voting Shares for cash and 15,000 Class A Subordinate Voting Shares pursuant to the Share Incentive Plan. Options exercised for cash or tendered back to the Company for cancellation resulted in Dundee Bancorp issuing another 7,241 Class A Subordinate Voting Shares. Completion of the Peelbrooke acquisition in January 2000 resulted in the issuance of a further 26,078 Class A Subordinate Voting Shares.

The Company acquired for cancellation pursuant to its normal course issuer bid, or otherwise cancelled 664,055 Class A Subordinate Voting Shares during 2000 at an average price of $14.00 per share.

DUNDEE BANCORP INC.
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements, the notes thereto and other financial information contained in this annual report have been prepared by, and are the responsibility of, the management of Dundee Bancorp Inc. These financial statements have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgments when appropriate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Audit Committee, which is comprised of three Directors, two of which are neither employees nor officers of the Company, and one who is a senior executive officer of the Company, meets with management as well as the external auditors to satisfy itself that management is properly discharging its financial reporting responsibilities and to review its consolidated financial statements and the report of the auditors. It reports its findings to the Board of Directors who approve the consolidated financial statements.

The consolidated financial statements have been audited by Arthur Andersen LLP, the independent auditors, in accordance with generally accepted auditing standards. The auditors have full and unrestricted access to the Audit Committee.

Ned Goodman
Chairman, President
& Chief Executive Officer

Ray Benzinger
Executive Vice President
& Chief Financial Officer

Toronto, Ontario
March 23, 2001

DUNDEE BANCORP INC.
AUDITORS' REPORT

To the Shareholders of
DUNDEE BANCORP INC.:

We have audited the consolidated balance sheets of Dundee Bancorp Inc. (the "Company"), as at December 31, 2000 and 1999, and the consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations, changes in shareholders' equity and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Arthur Andersen LLP

Chartered Accountants
Toronto, Canada
March 23, 2001

DUNDEE BANCORP INC.
CONSOLIDATED BALANCE SHEETS

As at December 31, 2000 and 1999
(expressed in thousands of Canadian dollars)

	December 31, 2000	December 31, 1999
ASSETS		
Cash and short term investments	$ 106,456	$ 137,987
Brokerage securities inventory (note 3)	4,786	12,517
Accounts receivable	39,682	42,178
Client accounts receivable	266,519	219,003
Investment portfolio (note 4)	497,733	520,249
Deferred sales commissions (note 5)	71,798	98,265
Capital and other assets (note 6)	129,915	131,167
TOTAL ASSETS	**$ 1,116,889**	**$ 1,161,366**
LIABILITIES		
Accounts payable and accrued liabilities	$ 52,703	$ 68,477
Brokerage securities sold short (note 3)	1,842	15,275
Client deposits and related liabilities	258,621	236,755
Deferred acquisition obligations (note 7)	475	5,398
Current taxes payable	11,262	25,228
Corporate debt (note 8)	214,955	204,982
Future income tax liability (note 10)	49,414	68,676
Non controlling interest	18,572	17,203
	607,844	641,994
SHAREHOLDERS' EQUITY		
Share capital (note 9)		
Common shares	346,493	352,050
Equity portion of deferred acquisition obligations	–	372
Retained earnings	162,552	166,950
	509,045	519,372
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 1,116,889**	**$ 1,161,366**

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board:

Ned Goodman, *Director*

Garth A.C. MacRae, *Director*

DUNDEE BANCORP INC.
CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2000 and 1999
(expressed in thousands of Canadian dollars, except per share amounts)

	December 31, 2000	December 31, 1999
REVENUE		
Management and administration fees	$ 123,945	$ 110,631
Redemption fees	20,299	24,738
Financial services	147,396	58,298
	291,640	193,667
Investment income	11,609	26,500
	303,249	220,167
EXPENSES		
Selling, general and administrative	204,800	106,636
Amortization of deferred sales commissions	43,864	43,318
Trailer fees	21,976	19,000
Depreciation and amortization	10,320	6,854
Interest expense	14,798	11,632
	295,758	187,440
OPERATING INCOME	7,491	32,727
Share of (losses) earnings of equity accounted investments	(9,351)	7,197
Non recurring item (note 13)	–	(9,936)
Income tax recovery (provision)	9,356	(18,017)
Non controlling interest	(1,139)	120
NET INCOME	$ 6,357	$ 12,091
EARNINGS PER SHARE		
Basic earnings per share	$ 0.24	$ 0.46
Fully diluted earnings per share	$ 0.24	$ 0.45

The accompanying notes are an integral part of these consolidated financial statements.

DUNDEE BANCORP INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2000 and 1999
(expressed in thousands of Canadian dollars)

	Common Shares	Deferred Acquisition Obligations	Retained Earnings	Total
Balance, December 31, 1998	$ 310,637	$ –	$ 173,337	$ 483,974
Net income for the year	–	–	12,091	12,091
Change in opening retained earnings to account for change in accounting policy for income taxes	–	–	(16,055)	(16,055)
Issuance of Class A subordinate shares for cash, net of costs	636	–	–	636
Issuance of Class A subordinate shares for non-monetary consideration	9,334	–	–	9,334
Deferred business acquisition obligations (note 7)	–	372	–	372
Acquisition of Class A subordinate shares for cancellation	(9,067)	–	(2,121)	(11,188)
Cancellation of options granted, net of tax	–	–	(302)	(302)
Unrealized dilution gains, net of tax (note 2)	40,510	–	–	40,510
Balance, December 31, 1999	352,050	372	166,950	519,372
Net income for the year	–	–	6,357	6,357
Change in opening retained earnings to account for change in accounting policy of equity accounted investees for income taxes	–	–	(9,353)	(9,353)
Issuance of Class A subordinate shares for cash, net of costs	1,491	–	–	1,491
Issuance of Class A subordinate shares for non-monetary consideration	263	–	–	263
Deferred business acquisition obligations (note 7)	372	(372)	–	–
Acquisition of Class A subordinate shares for cancellation	(7,931)	–	(1,368)	(9,299)
Cancellation of options granted, net of tax	–	–	(34)	(34)
Unrealized dilution gains, net of tax (note 2)	248	–	–	248
Balance, December 31, 2000	$ 346,493	$ –	$ 162,552	$ 509,045

The accompanying notes are an integral part of these consolidated financial statements.

DUNDEE BANCORP INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2000 and 1999
(expressed in thousands of Canadian dollars)

	December 31, 2000	December 31, 1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 6,357	$ 12,091
Non cash items in income:		
Depreciation and amortization	54,184	50,172
Net investment gains	(5,994)	(20,675)
Share of unremitted equity losses (earnings)	9,350	(7,198)
Future income tax provision	(19,243)	(9,993)
Non controlling interest	1,139	(120)
Other non cash components of income	3,438	1,339
	49,231	25,616
Changes in:		
Accounts receivable	2,418	(18,343)
Accounts payable and accrued liabilities	(15,756)	22,176
Current taxes payable	(13,966)	17,703
Brokerage securities inventory, net	(5,902)	5,162
Client accounts receivable net of deposits and related liabilities	(25,650)	27,794
CASH (USED IN) PROVIDED FROM OPERATING ACTIVITIES	(9,625)	80,108
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds on sales of portfolio investments	92,101	109,051
Acquisition of investments	(85,754)	(104,057)
Sales commissions paid on distribution of mutual funds	(17,397)	(9,673)
Other	(8,893)	(5,399)
CASH USED IN INVESTING ACTIVITIES	(19,943)	(10,078)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in corporate debt	5,906	13,815
Issuance of Class A subordinate shares, net of costs	1,491	261
Acquisition of Class A subordinate shares	(9,299)	(11,188)
Cancellation of options granted	(61)	(545)
CASH (USED IN) PROVIDED FROM FINANCING ACTIVITIES	(1,963)	2,343
NET (DECREASE) INCREASE IN CASH DURING THE YEAR	(31,531)	72,373
Cash, beginning of year	137,987	65,614
CASH, END OF YEAR	$ 106,456	$ 137,987
Cash flows from operating activities include the following:		
Interest paid	$ 14,645	$ 11,631
Taxes paid	$ 25,865	$ 10,726

The accompanying notes are an integral part of these consolidated financial statements.

DUNDEE BANCORP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999 (tabular dollar amounts in thousands of Canadian dollars)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Dundee Bancorp Inc. ("Dundee Bancorp" or the "Company") is a financial service company that, through its subsidiary, Dundee Wealth Management Inc. ("Dundee Wealth"), provides a broad range of financial products and services to individuals, institutions and corporations. Dundee Bancorp also provides financial services on an international basis from offices in Bermuda, Cayman Islands and India. The Company also manages its own investment portfolio.

Basis of Presentation and Principles of Consolidation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements include the accounts of the Company and its subsidiaries. The Company's voting interest in each of its subsidiaries is 100% except for its interest in Dundee Wealth which, at December 31, 2000 and 1999, was 85%.

Investment Portfolio

Investments in companies subject to significant influence are accounted for using the equity method whereby the Company recognizes in income its proportionate share of earnings or losses of the investee. Application of the equity method will result in the recognition of a dilution gain or loss if the Company's interest in the investment is diluted as a result of the issuance of additional shares by the investee.

Other investments are accounted for using the cost method unless it is determined by management that an impairment in value that is other than temporary has occurred, at which point a provision is recorded.

Management Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Client Accounts

In accordance with brokerage industry practice, client transactions are entered into on either a cash or margin basis. In a margin transaction, the Company's brokerage subsidiary extends credit to a client for the purchase of securities, using the securities purchased and/or other securities in the client's account as collateral for the amounts loaned.

Cash and Short Term Investments

Cash and short term investments are carried at cost which approximates their fair value.

Financial Instruments

The Company's investment portfolio includes publicly listed and privately issued securities. Changes in interest rates may indirectly affect the value of these securities. An investment, including an equity accounted investment, may be written down to reflect a decrease in the underlying net realizable value of the investment if, in the opinion of management, such decrease is other than temporary.

Derivative financial instruments are carried at fair value with resulting gains and losses reported in current earnings. The fair value of a derivative contract represents the amount the Company would have to pay a third party to assume its obligations under the contract or the amount a third party would pay to receive the Company's benefits under the contract. Fair values for exchange traded options are based on quoted market prices. The Company primarily trades options on an agency basis.

Revenue Recognition

Management, performance and administrative fees are generally calculated as a percentage of the net asset value of assets under management and are recognized on an accrual basis.

Redemption fees paid by unitholders of deferred sales charge mutual funds, the sales commissions of which were financed by the Company, are recognized as revenue on the settlement date of the redemption of the applicable mutual fund units.

Securities transactions and related commissions are included in financial services revenue and recorded in the accounts on a trade date basis. Brokerage securities owned and brokerage securities sold short are recorded at fair value. Both realized and unrealized gains, net of realized and unrealized losses from these securities, are reported as financial services revenue and are included in the determination of income.

Investment income includes:

- interest and dividend income from investments carried at cost which are recognized as earned;
- realized investment gains or losses in respect of the Company's investment portfolio; and
- any provision against the carrying value of investments.

Deferred Sales Commissions

Deferred sales commissions consist of sales commissions paid to third-party brokers and dealers on the sale of mutual funds sold on a deferred sales charge basis. These costs are amortized on a straight-line basis over a five year period.

Capital and Other Assets

The excess of the purchase price over the fair value of the assets acquired in business acquisitions is being amortized on a straight-line basis over 20 years. The Company regularly evaluates the carrying value of this amount by reviewing the returns of the related businesses or assets, taking into account the risk associated with the investment.

The cost attributed to mutual fund advisory and management contracts is being amortized on a straight-line basis over a 20 year period.

Capital assets are recorded at cost, net of accumulated amortization, and are amortized on a straight-line or declining balance basis. Annual amortization rates adopted by the Company range from 20% to 30%.

Leasehold improvements are amortized on a straight-line basis over the lease terms.

Shares of stock exchanges and stock exchange memberships are carried at the lower of their cost or net realizable value.

Corporate debt issue costs are amortized over the term of the debt.

Other assets include deposits made to the regulatory authorities including contingency trust funds and the Canadian Investors Protection Fund.

Share Incentive Plan

The Company grants options to purchase Class A subordinate voting shares ("Subordinate Shares") of the Company to eligible employees pursuant to the terms of the Company's share incentive plan. No compensation expense is recognized for these options on the date of grant. Any consideration paid by employees on exercise of stock options is credited to share capital. If stock options are repurchased from employees, the excess of the consideration paid over the exercise price of the stock option cancelled is charged to retained earnings.

Income Taxes

The Company uses the asset and liability method to provide for income taxes on all transactions recorded in the financial statements. The asset and liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Future income tax assets and liabilities are determined for each temporary difference based on the tax rates which are expected to be in effect when the underlying assets and liabilities are expected to be realized.

Foreign Currency Translation

All foreign currency denominated amounts, including those of integrated foreign operations, are translated into Canadian dollars using average rates for the year for items included in the consolidated statements of income, the rate in effect at the balance sheet date for monetary assets and liabilities included in the consolidated balance sheets and historical rates for other items. Translation gains or losses are included in the determination of income.

Earnings per Share

Basic earnings per share is computed by dividing the net income for the year, adjusted for dividends on preference shares and related taxes, if applicable, by the weighted average number of Subordinate Shares and Class B common shares ("Class B Shares") outstanding during 2000 of 26,350,480 (1999 – 26,488,156).

Fully diluted earnings per share are computed by giving effect to the exercise of outstanding options. In the year ended December 31, 2000, the change in net income available for common shareholders which would result from the use of the proceeds from the exercise of outstanding options has been estimated at $78,000 (1999 – $96,000), based on a cost of capital of approximately 7%. The weighted average number of shares outstanding on a fully diluted basis would increase by 373,100 (1999 – 428,100).

Reclassification of 1999 Amounts

Certain of the prior year amounts have been reclassified to conform to the basis of presentation adopted for 2000.

2. REORGANIZATION AND BUSINESS ACQUISITIONS

Corporate Reorganization

During 1999, the Company entered into various transactions with its subsidiary, Dundee Wealth, pursuant to which Dundee Bancorp's Canadian financial services and investment management subsidiaries were reorganized as subsidiaries of Dundee Wealth. As a result of the reorganization, the following entities were transferred to Dundee Wealth:

- *Dundee Securities Corporation* ("Dundee Securities"), a registered securities dealer;
- *Dynamic Mutual Funds Ltd.*, an investment management company and manager of the Dynamic Mutual Funds and Dynamic Venture Opportunities Fund Ltd.; and
- *Dundee Private Investors Inc.*, a financial planner and mutual fund dealer.

In consideration therefore, Dundee Bancorp received:

- 46,000,000 common shares of Dundee Wealth, being 100% of the common shares of Dundee Wealth then issued and outstanding;
- 3,770,000 first preference shares, series X of Dundee Wealth with a 6% annual fixed preferential cumulative dividend; and
- 2,000,000 warrants to acquire common shares of Dundee Wealth at a price of $12.00 per common share.

The reorganization of these entities has been accounted for on the continuity of interest basis and accordingly, the transaction has been recorded at the historical cost to Dundee Bancorp of the assets transferred.

Business Acquisitions

Acquisition of Infinity Funds Management Inc. ("Infinity")

On August 30, 1999, Dundee Wealth completed a share purchase agreement whereby it acquired all of the issued and outstanding shares of Infinity, an investment management company and manager of the Infinity Mutual Funds (now the Dynamic Focus Plus Mutual Funds). The acquisition has been accounted for as a purchase transaction and accordingly, the purchase price was allocated to the assets and liabilities acquired based on their estimated fair values on August 30, 1999. The total purchase price was $51,248,000 and was comprised of cash of $5,000,000, shares of Dundee Wealth with an ascribed value of $43,048,000 and additional obligations in the amount of $3,200,000. The amount by which the total purchase price exceeded the estimated fair value of the net assets acquired was $36,980,000, before accounting for taxes on the deductible portion of goodwill of $1,013,000, and is being amortized on a straight-line basis over a 20 year period.

The shares of Dundee Wealth issued to former shareholders of Infinity as consideration for the acquisition of Infinity are subject to an escrow arrangement and will be released, subject to certain conditions, over a four year period ending August 31, 2003. The number of shares to be released may be adjusted for any inaccuracy in the representations and warranties made by Infinity in respect of the acquisition and is subject to Infinity meeting a target growth rate in the Dynamic Focus Plus Mutual Funds.

On January 1, 2000, Infinity was amalgamated with Dynamic Mutual Funds Ltd.

Acquisition of Assets of 170399 Canada Inc. ("170399")

On August 30, 1999, Dundee Wealth acquired certain securities related assets, including the transfer of client accounts and registrations of all registered personnel, and assumed certain liabilities of 170399 (formerly Fortune Financial Management Inc.) and two of its subsidiaries. The total purchase price was $43,306,000 and was comprised of cash of $1,734,000, shares of Dundee Wealth with an ascribed value of $27,786,000 and additional obligations in the amount of $13,786,000. The acquisition has been accounted for using the purchase method and accordingly, the purchase price was allocated to the assets and liabilities acquired based on their estimated fair values. The excess of the purchase price over the estimated fair value of the net assets acquired was $43,306,000, before accounting for taxes on the deductible portion of goodwill of $5,676,000, and is being amortized on a straight-line basis over a 20 year period. The shares of Dundee Wealth issued to key personnel of 170399, to 170399 and to two of its subsidiaries, in connection with the asset acquisition, are subject to an escrow arrangement and will be released, subject to the terms of the escrow arrangement, over a four year period ending December 31, 2003.

The number of shares of Dundee Wealth to be released from escrow may be adjusted to account for the departure of key personnel. During 2000, departures of certain individuals resulted in the cancellation of shares of Dundee Wealth and a recovery of cash, reducing the excess of the purchase price over the estimated fair value of the net assets acquired by $1,206,000.

Acquisition of Client Accounts and Related Goodwill from Registered Financial Advisors (collectively, the "Financial Advisors")

The Company may, from time to time, arrange for the acquisition of securities related assets, including the transfer of client accounts and registrations of registered personnel, from Financial Advisors. In consideration therefore, Dundee Wealth will issue special shares, such shares to be held in escrow and released to Financial Advisors over a period not exceeding five years.

During 2000, Dundee Wealth acquired client accounts and related goodwill from Financial Advisors at a total purchase price of $690,000 comprised of cash of $2,000 and the issuance of shares of Dundee Wealth with an ascribed value of $688,000. The acquisition has been accounted for using the purchase method and accordingly, the purchase price was allocated to the assets and liabilities acquired based on their estimated fair values. The excess of the purchase price over the estimated fair value of the net assets acquired was $690,000, and is being amortized on a straight-line basis over a 20 year period.

Acquisition of Peelbrooke Capital Inc. ("Peelbrooke")

Prior to November 1999, Dundee Bancorp held approximately 35% of the common shares of Peelbrooke, a holding company, at a carrying value of $11,411,000. Pursuant to a joint take-over bid dated November 12, 1999, the Company and Dundee Wealth offered to purchase all of the outstanding common shares of Peelbrooke not already owned by Dundee Bancorp. In consideration thereof, Dundee Bancorp issued 667,707 Subordinate Shares with an ascribed value of $9,231,000. Dundee Wealth paid cash of $5,008,000 and issued shares with an ascribed value of $8,938,000. As part of the Peelbrooke acquisition, Dundee Bancorp agreed to transfer all of its interest in Peelbrooke subsequent to the take-over bid, to Dundee Wealth in exchange for cash of $2,645,000, 529,046 Dundee Wealth common shares, 529,046 common share purchase warrants to acquire common shares of Dundee Wealth at $10.00 per share, and 1,683,668 first preference shares, series X of Dundee Wealth.

The acquisition of the Peelbrooke shares has been accounted for as a purchase transaction and accordingly, the purchase price was allocated to the assets and liabilities acquired based on their estimated fair values on December 31, 1999. The total purchase price exceeded the estimated fair value of the net assets acquired by $8,151,000. The Company attributed $5,610,000 of this excess to the availability of income tax loss carry forwards. The remaining excess of $2,541,000 will be amortized on a straight-line basis over a 20 year period.

Acquisition of Assets of Pro-Genesis Securities Inc. ("Pro-Genesis")

On December 3, 1999, Dundee Wealth acquired the securities related assets, including the transfer of client accounts and registrations of all registered personnel, and assumed certain liabilities of Pro-Genesis, a Québec based securities firm. The total purchase price was $1,900,000 and was comprised of cash of $950,000 and additional deferred cash obligations in the amount of $950,000. The acquisition has been accounted for using the purchase method and accordingly, the purchase price was allocated to the assets and liabilities acquired based on their estimated fair values. The excess of the purchase price over the estimated fair value of the net assets acquired was $1,900,000 and is being amortized on a straight-line basis over a 20 year period.

The following table summarizes business acquisitions completed during 2000 and 1999:

	Infinity	170399	Peelbrooke	Pro-Genesis	Financial Advisors
Fair value of assets acquired, net of liabilities assumed	$ 14,268	$ –	$ 26,437	$ –	$ –
Aggregate purchase price	51,248	43,306	34,588	1,900	690
Excess of purchase price over the fair value of net assets acquired	36,980	43,306	8,151	1,900	690
Taxes on deductible portion of goodwill	(1,013)	(5,676)	–	–	–
	35,967	37,630	8,151	1,900	690
Adjustments to purchase price pursuant to terms of escrow arrangements with Dundee Wealth	–	(1,206)	–	–	–
	$ 35,967	$ 36,424	$ 8,151	$ 1,900	$ 690

The Company completed the share acquisition of Infinity and the asset acquisition from 170399 on August 30, 1999. The asset acquisition from Pro-Genesis was completed on December 3, 1999. The comparative 1999 consolidated operating results of the Company reflect the income generated from these acquisitions from the effective acquisition date. Operating results from the share acquisition of Peelbrooke are not included in comparative 1999 consolidated income as the acquisition of Peelbrooke was completed late in that year.

Dilution Gain

As a result of the reorganization and subsequent business acquisitions completed in 1999 and 2000, the Company's investment in Dundee Wealth was diluted from 100% to approximately 85%. For accounting purposes, the Company is considered to have disposed of approximately 15% of its interest in Dundee Wealth resulting in a dilution gain of approximately $40,758,000, net of taxes of $20,430,000. This dilution gain was recorded directly to shareholders' equity.

3. BROKERAGE SECURITIES INVENTORY AND BROKERAGE SECURITIES SOLD SHORT

Securities owned and securities sold short are recorded at fair value. The Company's brokerage securities inventory and securities sold short are as follows:

	2000		1999	
	Securities owned	Securities sold short	Securities owned	Securities sold short
Bonds and other debt instruments	$ 2,515	$ 153	$ 1,561	$ 1,631
Equities	2,153	1,680	9,096	13,297
Options	118	9	1,860	347
	$ 4,786	$ 1,842	$ 12,517	$ 15,275

From time to time, the Company's brokerage subsidiary may sell securities that it does not currently own and will therefore be obligated to purchase such securities at a future date. The subsidiary may incur a loss if the market value of these securities subsequently increases.

Derivative Financial Instruments

The Company's brokerage subsidiary trades in certain derivative instruments for the purpose of managing proprietary trading strategies or for the purpose of risk management.

The Company's brokerage subsidiary uses forward contracts to cover outstanding obligations in Canadian or U.S. currency. Forward contract transactions involve the future delivery of an amount of a currency at a specified price at a specified time.

The following table discloses the outstanding contracts as at December 31, 2000 and 1999:

	2000		1999	
	Buy	Sell	Buy	Sell
USD Forward Contracts	$ 3,147	$ 6,142	$ 991	$ 399

The notional amounts associated with these contracts are not recorded on the balance sheet but generally exceed the future cash requirements relating to these instruments. All forward contracts are short term in nature and mature within 30 days.

4. INVESTMENT PORTFOLIO

	2000					1999				
	Year End Owner-ship	Listed	Non-Quoted	Loans	Total	Year End Owner-ship	Listed	Non-Quoted	Loans	Total
Equity accounted investments										
Black Hawk Mining Inc.	19%	$ 3,607	$ –	$ –	$ 3,607	20%	$ 3,241	$ –	$ –	$ 3,241
Breakwater Resources Ltd.	29%	62,082	–	–	62,082	33%	68,337	–	–	68,337
Dundee Realty Corporation	33%	121,540	–	–	121,540	30%	125,282	–	–	125,282
Eurogas Corporation	45%	13,918	–	9,849	23,767	45%	18,179	–	9,849	28,028
Zemex Corporation	34%	36,559	–	–	36,559	33%	40,421	–	–	40,421
Other		7,271	–	1,991	9,262		8,221	–	1,991	10,212
Marketable securities		77,350	–	–	77,350		78,586	–	–	78,586
Other portfolio investments		109,198	29,330	25,038	163,566		111,434	30,766	23,942	166,142
		$431,525	**$ 29,330**	**$ 36,878**	**$497,733**		**$453,701**	**$ 30,766**	**$ 35,782**	**$520,249**

The fair market value of the investment portfolio approximates $457,000,000 (1999 – $545,000,000), determined using the quoted market values for listed securities and carrying values for non-quoted securities and loans.

The Company has investments of $85,374,000 (1999 – $87,275,000) in investment products which are managed by a wholly-owned subsidiary of Dundee Wealth. These transactions are conducted on the same basis as third party investors.

Investment Income

Investment income includes:

	2000	1999
Interest, dividends and foreign exchange	$ 5,614	$ 5,826
Realized investment gains, net	15,543	25,772
Increase in investment provision to reflect decreases in value of investments	(9,548)	(5,098)
	$ 11,609	$ 26,500

Share of Earnings of Equity Accounted Investments

Included in the Company's share of earnings or losses from equity accounted investments are:

		2000		1999
Share of (losses) earnings of equity accounted investments	$	(6,137)	$	9,906
Losses from dilutions of interest in equity accounted investments		(3,214)		(2,709)
	$	(9,351)	$	7,197

5. DEFERRED SALES COMMISSIONS

Deferred sales commissions, December 31, 1998 (net of accumulated amortization of $143,492)	**$**	**103,611**
Commissions funded during 1999		9,674
Commissions acquired pursuant to business acquisitions		28,298
Amortization of deferred sales commissions during 1999		(43,318)
Deferred sales commissions, December 31, 1999 (net of accumulated amortization of $186,810)		**98,265**
Commissions funded during 2000		17,397
Amortization of deferred sales commissions during 2000		(43,864)
Deferred sales commissions, December 31, 2000 (net of accumulated amortization of $230,674)	**$**	**71,798**

6. CAPITAL AND OTHER ASSETS

						2000		1999
		Cost		Accumulated amortization		Net book value		Net book value
Fixed assets	$	34,490	$	16,290	$	18,200	$	17,717
Goodwill (note 2)		116,665		17,583		99,082		104,623
Corporate debt issue costs		1,565		508		1,057		1,214
Other		13,623		2,047		11,576		7,613
	$	166,343	$	36,428	$	129,915	$	131,167

7. DEFERRED ACQUISITION OBLIGATIONS

Included in deferred acquisition obligations are future obligations of the Company incurred as a result of business acquisitions (note 2). During 2000, the Company paid $5,295,000 in settlement of outstanding obligations. Payment was made through the issuance of 26,078 Subordinate Shares with an ascribed value of $372,000, issuance of shares in Dundee Wealth with an ascribed value of $361,000, cash payments of $4,478,000 and the cancellation of obligations in the amount of $84,000. At December 31, 2000, the total cash obligations of the Company in respect of business acquisitions were $475,000.

8. CORPORATE DEBT

		2000		1999
Corporate				
$150,000,000 – 6.70% senior debentures due September 24, 2007	$	149,688	$	149,642
Revolving term credit facility		9,468		–
Subsidiary companies				
Revolving term credit facility, Canadian		12,956		–
Revolving term credit facilities, International		7,092		3,071
Call loans		23,284		37,490
Infinity Income Trust		9,412		12,498
Notes payable		2,281		2,281
Other		774		–
	$	214,955	$	204,982

Senior Debentures

On September 24, 1997, the Company issued $150,000,000 ten-year senior unsecured debentures (the "Debentures") at a discount of $3.09 per $1,000 principal amount. Net proceeds of the issue, after commissions and related expenses, were $147,977,000. The Debentures pay interest at 6.70% per annum, payable semi-annually in arrears on March 24 and September 24 of each year. The Debentures are redeemable in whole or in part at any time, at the option of the Company, at the higher of the par value of the Debenture or at a price calculated to provide a yield to maturity equal to the Government of Canada Yield at the time of the redemption plus 0.20%. At December 31, 2000, the fair value of the Debentures, based on quoted market values was $136,020,000 (1999 – $130,050,000).

Revolving Term Credit Facilities, Canadian

The Company has a revolving term, unsecured credit facility for $20,000,000, which expires on July 12, 2001. Interest on the credit facility accrues, at the Company's option, at either a Canadian chartered bank's prime lending rate or Corporate Bankers' Acceptance rate. The credit facility accrues a further stand-by fee of 1/4 of 1% on any unused portion of the credit facility. At December 31, 2000, $9,468,000 (1999 – $Nil) had been borrowed pursuant to the Company's credit facility.

A subsidiary of the Company has a Canadian unsecured revolving term credit facility for $20,000,000, which expires on August 30, 2001. Interest on the credit facility accrues, at the subsidiary's option, at either a Canadian chartered bank's prime lending rate or Corporate Bankers' Acceptance rate plus 5/8 of 1%. The credit facility accrues a further stand-by fee of 1/4 of 1% on any unused portion of the credit facility. At December 31, 2000, $12,956,000 (1999 – $Nil) had been borrowed pursuant to the subsidiary's credit facility.

Borrowings under the Canadian revolving term credit facilities bear interest at floating rates and, accordingly, their fair value approximates their carrying value.

Revolving Term Credit Facilities, International

The Company has various revolving term credit facilities totalling US$6.0 million supporting its operations in India. During 2000, interest on the credit facilities accrued at various rates between 13.0% and 14.0%. At December 31, 2000 the Company had borrowed US$4.7 million (Cdn$7.1 million) (1999 – US$2.0 million; Cdn$3.1 million) pursuant to these credit facilities.

Call Loans

The Company's brokerage subsidiary borrows money primarily to facilitate the securities settlement process for both client and firm inventory transactions. These call loans are collateralized by either unpaid client securities or securities owned by the Company. The Company's subsidiary paid interest on the outstanding call loan balances at interest rates between 5.50% and 6.50% on Canadian funds (1999 – 5.00% and 5.50%) and between 6.44% and 7.13% on U.S. funds (1999 – 5.38% and 6.44%). Included in corporate debt at December 31, 2000 were call loans of $23,284,000 (1999 – $37,490,000).

Infinity Income Trust

As part of the Infinity acquisition (note 2) Dundee Wealth assumed obligations to the Infinity Income Trust (the "Trust"). The Trust was formed for the purpose of financing the deferred sales commissions of Dynamic Focus Plus Mutual Funds (formerly Infinity Mutual Funds) for the period August 1, 1997 up to and including February 26, 1998.

		2000		1999
Secured notes	$	7,685	$	10,771
Participation certificates		1,727		1,727
	$	9,412	$	12,498

Interest on the secured notes is charged at 5% per annum. No interest is charged on the participation certificates. A subsidiary of Dundee Wealth has ceded a portion of its monthly management fee from the Dynamic Focus Plus Mutual Funds to be applied first to the repayment of the secured notes and then to the repayment of the participation certificates. The amount of the monthly management fee ceded is 0.55% per annum of the net asset value of the units where the sales commissions were financed by the Trust. In the event that the monthly management fee ceded is insufficient to repay the secured notes and the participation certificates by April 30, 2013, any amount outstanding will not be required to be repaid by the Company. Repayments will be applied first to the interest, then to the secured notes, and finally to the participation certificates. The repayment of the participation certificates will continue to the earlier of April 30, 2013 or until there are no remaining mutual fund units financed by the Trust. Any redemption charges paid by the unitholders on redemption of units financed by the Trust will be applied to the repayment of the secured notes and the participation certificates. The secured notes are secured by a general security interest under the PPSA in the accounts of the mutual funds managed by Dynamic Mutual Funds Ltd., a wholly-owned subsidiary of Dundee Wealth.

9. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of Subordinate Shares, an unlimited number of Class B Shares, an unlimited number of first preference shares, issuable in series, an unlimited number of second preference shares, issuable in series, and an unlimited number of third preference shares, issuable in series.

Common Shares

Holders of Subordinate Shares and Class B Shares are entitled to one vote and 100 votes respectively, for each such share held. The Subordinate Shares and Class B Shares will participate equally, share for share, as to dividends. The Class B Shares are convertible into Subordinate Shares on a one-for-one basis at any time. In the event of an offer to purchase the Class B Shares by a third party, and in certain circumstances, each Subordinate Share will be convertible, at the option of the holder, into one Class B Share for purposes of accepting such an offer.

During 1997, the Company cancelled 34,666 Subordinate Shares and 5,224 Class B Shares. Pursuant to the articles of arrangement dated October 30, 1991, shares of predecessor corporations not deposited with the registrar and transfer agent prior to October 30, 1997 ceased to represent a claim on the net assets of the Company and were therefore cancelled. During 2000, the Company reinstated 7 shares (1999 – 1,080 shares) upon verification that the shares were properly deposited with the registrar and transfer agent.

Preference Shares

First Preference Shares

Each series of first preference shares will rank on a parity with the first preference shares of every other series and will be entitled to preference on the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company over the Subordinate Shares, Class B Shares, second preference shares and third preference shares.

Second Preference Shares

Each series of second preference shares will rank junior and subordinate to the first preference shares, on a parity with second preference shares of every other series and will be entitled to preference over the Subordinate Shares, Class B Shares and third preference shares.

Third Preference Shares

Each series of third preference shares will rank junior and subordinate to the first preference shares and the second preference shares, on a parity with the third preference shares of every other series and will be entitled to preference over the Subordinate Shares and Class B Shares.

Issued and Outstanding

	CLASS A		CLASS B		TOTAL	
	Number	Amount	Number	Amount	Number	Amount
Outstanding December 31, 1998	25,682,663	$ 301,685	1,139,966	$ 8,952	26,822,629	$ 310,637
Issued (redeemed) during the year ended December 31, 1999						
Redeemed pursuant to issuer bid	(759,080)	(9,012)	(7,000)	(55)	(766,080)	(9,067)
Issued under the employee share purchase plan	57,181	850	–	–	57,181	850
Issued under the employee share incentive plan	15,000	217	–	–	15,000	217
Issuance of shares in business acquisitions (note 2)	641,629	8,859	–	–	641,629	8,859
Options exercised	368	4	–	–	368	4
Share issue costs	–	(218)	–	–	–	(218)
Stock appreciation rights	16,605	258	–	–	16,605	258
Conversion from Class B Shares to Subordinate Shares	53,201	418	(53,201)	(418)	–	–
Reinstatement of shares	1,080	–	–	–	1,080	–
Outstanding December 31, 1999	25,708,647	303,061	1,079,765	8,479	26,788,412	311,540
Issued (redeemed) during the year ended December 31, 2000						
Redeemed pursuant to issuer bid	(664,055)	(7,931)	–	–	(664,055)	(7,931)
Issuance of shares for cash	100,000	1,420	–	–	100,000	1,420
Issued under the employee share incentive plan	15,000	263	–	–	15,000	263
Issuance of shares in business acquisitions (note 2)	26,078	372	–	–	26,078	372
Options exercised	7,050	68	–	–	7,050	68
Stock appreciation rights	191	3	–	–	191	3
Conversion from Class B Shares to Subordinate Shares	20,644	162	(20,644)	(162)	–	–
Reinstatement of shares	7	–	–	–	7	–
Outstanding December 31, 2000	25,213,562	$ 297,418	1,059,121	$ 8,317	26,272,683	$ 305,735
DILUTION GAIN (note 2)						40,758
Total Share Capital Outstanding December 31, 2000						**$ 346,493**

Stock Option Plan

The directors of the Company have granted options to acquire Subordinate Shares to certain officers and employees of the Company as follows:

Date of Grant	Options Granted		Exercise Price	Options Exercised	Options Cancelled	Options Outstanding December 31, 2000
January 21, 1992	1,301,000	$	3.00	335,167	592,733	373,100
July 29, 1992	233,000	$	3.10	–	233,000	–
April 2, 1993	209,500	$	4.50	30,000	124,500	55,000
August 5, 1993	60,000	$	7.13	20,000	13,333	26,667
April 15, 1994	359,000	$	9.88	34,089	112,077	212,834
December 16, 1994	291,500	$	8.63	59,522	74,311	157,667
March 14, 1995	46,000	$	9.50	20,000	19,000	7,000
January 4, 1996	100,000	$	14.00	–	–	100,000
March 7, 1996	494,000	$	17.75	–	107,332	386,668
August 15, 1996	300,000	$	17.45	6,666	110,165	183,169
March 6, 1997	100,000	$	29.60	–	62,500	37,500
May 14, 1997	45,000	$	28.55	–	45,000	–
September 23, 1997	35,500	$	40.75	–	18,500	17,000
October 6, 1997	45,000	$	39.75	–	–	45,000
November 19, 1997	125,000	$	34.25	–	22,000	103,000
May 12, 1998	69,000	$	27.25	–	14,000	55,000
August 21, 1998	188,000	$	14.85	–	20,000	168,000
November 17, 1998	42,000	$	14.35	–	13,000	29,000
March 15, 1999	600,000	$	14.50	–	19,000	581,000
April 21, 1999	35,000	$	14.60	–	–	35,000
August 31, 1999	2,000	$	15.50	–	2,000	–
May 4, 2000	400,000	$	14.70	–	–	400,000
August 29, 2000	35,000	$	16.25	–	–	35,000
	5,115,500			505,444	1,602,451	3,007,605

Options granted to employees vest evenly over a three year period and expire ten years from the date of grant. During 2000, 7,050 options (1999 – 368 options) were exercised for cash of $68,000 (1999 – $4,000). In addition, 726 options (1999 – 51,801) were tendered back to the Company in exchange for Subordinate Shares with value equal to the difference between the exercise and market price of the option resulting in the Company issuing 191 Subordinate Shares (1999 – 16,605) at a value of $3,000 (1999 – $258,000). A total of 118,128 options were cancelled during 2000 (1999 – 238,349).

Retained Earnings

During 2000, the Company purchased for cancellation 664,055 Subordinate Shares (1999 – 759,080 Subordinate Shares and 7,000 Class B Shares) having an aggregate stated capital of $7,931,000 (1999 – $9,067,000). The difference between the purchase price of $9,299,000 (1999 – $11,188,000) and the stated capital has been charged to retained earnings.

10. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate to the effective tax rate is as follows:

	2000	1999
Combined Canadian federal and provincial income tax rate	44%	45%
Non deductible expenses	32%	4%
Taxes on earnings from equity accounted investments	(55%)	10%
Benefit of losses not recognized	35%	9%
Tax recovery on non recurring item	0%	(14%)
Effect of expected income tax rate reductions on future income tax assets and liabilities, exclusive of dilution gain	(62%)	0%
Other	6%	1%
	0%	55%
Effect of expected income tax rate reductions on future income liability in respect of dilution gain (note 2)	(125%)	0%
	(125%)	55%

Under the asset and liability method of accounting for income taxes, future tax assets and liabilities are determined based on differences between the carrying value for financial reporting purposes and tax bases of assets and liabilities. These differences are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. The current year income tax recovery reflects an adjustment to future income tax assets and liabilities in the amount of $14,107,000 to account for reductions in expected corporate income tax and capital gains inclusion rates as proposed by the federal and provincial governments during 2000.

Significant components of the Company's future income tax assets and liabilities as of December 31, 2000 are as follows:

	2000	1999
Future income tax assets		
Tax loss carry forwards	$ 14,885	$ 28,786
Deferred acquisition obligations	2,303	4,680
Capital assets	1,291	747
Financing charges	574	1,394
Other	–	525
	19,053	36,132
Future income tax liabilities		
Investment portfolio, including equity accounted investments	26,833	39,513
Unrealized dilution gain on reorganization (note 2)	11,050	20,375
Deferred sales commissions	29,065	43,846
Management contracts	544	1,074
Other	975	–
	68,467	104,808
Net future income tax liability	**$ 49,414**	**$ 68,676**

11. CONTINGENCIES AND COMMITMENTS

The Company and its subsidiaries have given unsecured guarantees and letters of credit totalling approximately $21,201,000 at December 31, 2000 (1999 – $16,608,000) covering potential indebtedness of certain companies. The Company and its subsidiaries have lease agreements for premises pursuant to which minimum lease payments, exclusive of operating costs and realty taxes, are as follows:

2001	$	5,708
2002		5,535
2003		4,085
2004		2,528
2005		2,525
Thereafter		7,243
	$	27,624

12. SEGMENTED INFORMATION

Financial information is presented according to the following operating segments:

Wealth Management

The wealth management segment includes the operating results and net assets of the Company's financial service subsidiary, Dundee Wealth. This segment provides investment management and administrative services to Dynamic, Dynamic Power, Dynamic Focus Plus Mutual Funds, Dynamic Venture Opportunities Fund, institutional clients and private individuals. This operating segment also provides securities brokerage, investment banking and financial planning and advisory services to corporations and individuals.

Corporate

The corporate segment includes various revenues and expenses incurred at the corporate level, including revenues generated and expenses incurred in the management of the Company's investment portfolio. Merchant banking activities carried on by certain offshore subsidiaries are included in this segment.

Offshore

The Company, through several wholly-owned subsidiaries, carries on business in Bermuda, the Cayman Islands and India. Through its offshore entities, the Company provides investment management and administrative services to mutual funds, hedge funds and other investment clients.

Segmented Assets and Liabilities

	Wealth Management		Corporate		Offshore		Intersegment		Total	
	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
ASSETS										
Cash	$ 83,895	$ 125,933	$ 4,441	$ (5,964)	$ 18,120	$ 18,018	$ –	$ –	$ 106,456	$ 137,987
Investment portfolio	10,541	9,252	479,070	504,841	8,122	6,156	–	–	497,733	520,249
Deferred sales commissions	67,656	82,855	4,142	15,410	–	–	–	–	71,798	98,265
Other assets	398,275	364,530	36,251	40,127	11,821	15,824	(5,445)	(15,616)	440,902	404,865
	$ 560,367	$ 582,570	$ 523,904	$ 554,414	$ 38,063	$ 39,998	$ (5,445)	$ (15,616)	$1,116,889	$1,161,366
LIABILITIES										
Corporate debt	$ 56,327	$ 68,031	$ 162,210	$ 151,923	$ 33,153	$ 29,732	$ (36,735)	$ (44,704)	$ 214,955	$ 204,982
Future income tax liability	12,989	8,376	36,425	60,300	–	–	–	–	49,414	68,676
Non controlling interest	18,572	17,203	–	–	–	–	–	–	18,572	17,203
Other liabilities	310,383	333,435	11,413	18,200	221	2,968	2,886	(3,470)	324,903	351,133
	$ 398,271	$ 427,045	$ 210,048	$ 230,423	$ 33,374	$ 32,700	$ (33,849)	$ (48,174)	$ 607,844	$ 641,994

Segmented Components of Net Income

	Wealth Management		Corporate		Offshore		Intersegment		Total	
	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
Revenues	$ 285,544	$ 182,282	$ 24,530	$ 42,574	$ 3,157	$ 5,824	$ (9,982)	$ (10,513)	$ 303,249	$ 220,167
Expenses	264,102	156,948	34,407	35,658	7,446	5,374	(10,197)	(10,540)	295,758	187,440
OPERATING INCOME	21,442	25,334	(9,877)	6,916	(4,289)	450	215	27	7,491	32,727
Other items in income:										
Non recurring item	–	(9,936)	–	–	–	–	–	–	–	(9,936)
Equity (losses) earnings	–	–	(9,351)	7,197	–	–	–	–	(9,351)	7,197
Non controlling interest	(1,139)	120	–	–	–	–	–	–	(1,139)	120
INCOME BEFORE TAXES	$ 20,303	$ 15,518	$ (19,228)	$ 14,113	$ (4,289)	$ 450	$ 215	$ 27	(2,999)	30,108
Tax recovery (provision)									9,356	(18,017)
NET INCOME									$ 6,357	$ 12,091

13. NON RECURRING ITEM

A subsidiary of the Company had an employee incentive arrangement whereby certain key employees of the subsidiary participated in the profits of its investment counselling division. In the event of departure of an employee, a change in control of the subsidiary, the buyout by the Company of an employee's interest, or the termination of the employee incentive arrangement, the employee was entitled to an amount equal to a multiple of the average of the earned share of profits of the subsidiary for the current and previous fiscal period. During 1999, the Company exercised the termination provisions of the arrangement at a cost of $9,936,000.

DUNDEE BANCORP INC.
STATEMENT OF CORPORATE GOVERNANCE PRACTICES

In May 1995, The Toronto Stock Exchange adopted a by-law (the "TSE By-law") with respect to the corporate governance of listed companies. The TSE By-law was passed in response to the Report of The Toronto Stock Exchange Committee on Corporate Governance in Canada dated December 1994 (the "1994 TSE Report"). The TSE By-law contains a set of guidelines which are intended to assist listed companies in their approach to corporate governance but does not require listed companies to comply with these guidelines. However, pursuant to the TSE By-law, listed companies must annually disclose their approach to corporate governance. In November 1999, the TSE By-law was amended to require listed companies to specifically refer to each of the guidelines in their disclosure of their approach to corporate governance. In March 2001, the new Joint Committee on Corporate Governance released its Interim Report "Beyond Compliance: Building a Governance Culture" (the "2001 Interim Report") which builds on the 1994 TSE Report.

The 1994 TSE Report and the 2001 Interim Report paid a considerable amount of attention to the make-up and independence of the board of directors of a company. The TSE By-law defines an unrelated director to be a director who is independent of management and is free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of a company, other than interests and relationships arising from shareholding. Significant shareholders are not considered to be related directors. A significant shareholder is defined to be a shareholder who has the ability to exercise a majority of the votes for the election of directors.

The following disclosure sets out the Company's approach to corporate governance during fiscal 2000:

1. *The Board should explicitly assume responsibility for stewardship of the Company and, as part of the overall stewardship responsibility, should assume responsibility for the following matters:*

   The board of directors of the Company (the "Board"), directly and through its committees, carries out its functions as proxy for the shareholders and stakeholders of the Company with the objective of enhancing shareholder value consistent with its social responsibilities. The Board operates pursuant to the mandate set out in the *Ontario Business Corporations Act*, which is to institute and monitor the policies and procedures by which the Company operates its business, and acts with a view to the best interests of the Company. The Board together with management of the Company establish these policies and procedures and the Board assesses the execution by management of its objectives and the results obtained. The Board does not believe that it is appropriate for it to be involved in the daily management and functioning of the Company. The Board expects that management of the Company will be responsible for the effective, efficient and prudent management of the Company subject to the Board's stewardship responsibilities.

   To facilitate the fulfillment of certain of its responsibilities and to assist its decision making, the Board has formed the Audit Committee, the Compensation Committee and the Corporate Governance Committee of the Board to review in greater depth specific areas of its mandate. These committees are appointed annually and function in accordance with written mandates approved by the specific committee and the Board. In addition, the Board may appoint from time to time other committees as may be necessary.

1. (a) *Adoption of a strategic planning process;*

Management of the Company presents to the Board its strategic plan and direction for the Company. The Board reviews the strategic direction of the Company on a continuing basis. At each meeting of the Board, the Board receives from management of the Company update reports on the status of the affairs of the Company and of all major programs including the principal opportunities and risks of the Company's affairs and plans. Any material deviations from the strategic plan are reported to and considered by the Board.

1. (b) *The identification of the principal risks of the Company's business and ensuring the implementation of appropriate systems to manage these risks;*

Inherent in the Board's supervision of the strategic direction and operating performance of the Company is the identification, understanding and monitoring of the principal risks of the Company's business, the integrity of corporate internal control procedures and the overview of management's implementation of systems to manage and minimize those risks.

1. (c) *Succession planning, including appointing, training and monitoring senior management;*

The Chairman, President and Chief Executive Officer of the Company evaluates senior management on an ongoing basis and reports to the Board when necessary. The Corporate Governance Committee reviews on an annual basis, or as necessary, succession planning issues with the Chairman, President and Chief Executive Officer of the Company.

1. (d) *A communications policy for the Company; and*

The Board has established that communications with the stakeholders of the Company is to be undertaken solely by the Chairman, President and Chief Executive Officer of the Company or as delegated by him. The Board does not communicate with either the investment community or stakeholders directly. The Corporate Governance Committee reviews the communications policy of the Company with its stakeholders on an annual basis or as necessary to ensure its effectiveness.

The Company endeavours to keep its shareholders informed of its progress through a comprehensive annual report, quarterly interim reports and periodic press releases. The Company also maintains a web site that provides summary information on the Company and ready access to press releases and regulatory filings. Although the Company does not have an investor relations department, all shareholder or investment community inquiries are directed to the Corporate Secretary and the Chief Financial Officer of the Company. Shareholder inquiries are responded to promptly by the appropriate individual within the Company.

1. (e) *The integrity of the Company's internal control and management information systems.*

The Board, through the Audit Committee, assesses the integrity of the Company's internal controls and management information systems. Management of the Company is responsible for the design, implementation and maintenance of the internal controls and information systems and the Audit Committee is responsible for ensuring that management of the Company has fulfilled this responsibility.

2. *The Board should be constituted with a majority of individuals who qualify as unrelated directors.*

At December 31, 2000, the Board was composed of eleven members. The Board has concluded that eight of the eleven members of the Board were unrelated directors of the Company. By the definition contained in the TSE By-law, Ned Goodman is a significant shareholder of the Company as his shareholdings, on a partially diluted basis, represented, at April 23, 2001, a voting interest of 67.1% and an equity interest of 7.8%. Members of his family had, at April 23, 2001, an additional voting interest of 13% and equity interest of 11.6%. The proportion of the Board comprised of unrelated directors exceeds a majority of the Board.

3. *The Board will also be required to disclose on an annual basis the analysis of the application of the principles supporting the conclusion in item 2 above.*

Only three officers of the Company are members of the Board, being the Chairman, President and Chief Executive Officer, Ned Goodman, the Vice Chairman, Garth MacRae and an Executive Vice President, Jonathan Goodman. The Board believes that it is important for these senior executives of the Company to be members of the Board and be involved in Board deliberations and to have the same obligations, responsibilities and liabilities as the rest of the directors of the Company. All other eight directors of the Company are considered to be independent of management and free from any interest or other business relationship that may interfere with the director's ability to act with a view to the best interests of the Company.

4. *The Board should appoint a committee of directors composed exclusively of outside, i.e. non-management directors, a majority of whom are unrelated directors with the responsibility for proposing to the full Board new nominees to the Board and for assessing directors on an ongoing basis.*

The mandate of the Corporate Governance Committee includes examining the size and overall composition of the Board, proposing to the full Board new nominees to the Board and reviewing and assessing, on an annual basis, the directors of the Company. In 2000, the Corporate Governance Committee recommended to the Board that the Board increase the number of directors of the Company from ten to eleven and recommended the appointment of a new outside and unrelated director to the Board. The majority of the members of the Corporate Governance Committee are outside and unrelated directors. Mr. Garth MacRae, a member of the Corporate Governance Committee and the Vice-Chairman of the Company, is a related director.

5. *The Board should implement a process to be carried out by the nominating committee or other appropriate committee for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors.*

The mandate of the Corporate Governance Committee includes assessing the performance and effectiveness of the Board as a whole and the committees of the Board. The Chairman of the Board also reviews the effectiveness of the Board as a whole and of the committees of the Board. The Corporate Governance Committee periodically reviews the appropriateness of the mandates of the committees of the Board. The Corporate Governance Committee also reviews and assesses the quality of the relationship between management and the Board and recommends improvements where necessary.

6. *The Company, as an integral element of the process for appointing new directors, should provide an orientation and education program for new recruits to the Board.*

The Company has a practice with respect to the orientation and education of new recruits to the Board. New directors of the Company meet with management and other directors of the Company to familiarize themselves with the business of the Company and their responsibilities as directors of the Company. In addition, management distributes certain written information to new directors including, among other things, information about the Company and its affiliates and the reporting requirements of the directors of the Company. The Company, with the assistance of the Corporate Governance Committee, will be formalizing its orientation and education program for new directors in 2001.

7. *The Board should examine its size and, with a view to determining the impact of the number upon effectiveness, undertake where appropriate, a program to reduce the number of directors to a number which facilitates more effective decision-making.*

One of the mandates of the Corporate Governance Committee is to examine the size of the Board with a view to determining the impact of the number of directors of the Company upon the effectiveness of the Board. In 2000, the Corporate Governance Committee recommended to the Board that the Board increase the number of directors of the Company from ten to eleven and recommended the appointment of a new outside and unrelated director to the Board. The Board is currently made up of eleven individuals who have a diverse background bringing great functional experience to the Board for the assistance of management. It is the view of the Corporate Governance Committee, the Board and management of the Company that the current size and representation of the Board is appropriate in order for the Board to perform its duties and responsibilities effectively.

8. *The Board should review the adequacy and form of the compensation of directors and ensure the compensation realistically reflects the responsibilities and risk involved in being an effective director.*

The Compensation Committee together with the Corporate Governance Committee periodically reviews the adequacy and form of the compensation of the directors of the Company (which includes directors' fees and options granted pursuant to the share incentive plan of the Company) to ensure that the compensation realistically reflects the responsibilities and risks involved in being an effective director. The Compensation Committee is also responsible for, among other things, (i) administering the Company's share incentive plan and making recommendations with respect to any proposed amendments thereto, and (ii) reviewing and making recommendations with respect to the compensation of senior executives of the Company and ensuring that such compensation is competitive and aligned with the interests of the shareholders of the Company.

9. *Committees of the Board should generally be composed of outside directors, a majority of whom are unrelated directors, although some Board committees, such as the Executive Committee, may include one or more inside directors.*

The Company does not have an Executive Committee. Each of the Audit Committee and the Corporate Governance Committee is composed of a majority of outside and unrelated directors of the Company. In the year 2000, the Compensation Committee was comprised of four directors of which two were outside and unrelated directors of the Company. Following the appointment of a new outside and unrelated director of the Company as member of the Compensation Committee and the resignation of an inside director from the Compensation Committee, the Compensation Committee is now comprised of four directors of whom a majority are outside and unrelated directors of the Company. The Chairman of each of the Audit Committee, the Compensation Committee and the Corporate Governance Committee is an outside and unrelated director of the Company.

10. *The Board should expressly assume responsibility for, or assign to a committee of directors the general responsibility for, developing the Company's approach to governance issues.*

The Corporate Governance Committee is responsible for, among other things, overseeing and making recommendations to the directors of the Company on developing the approach of the Company to corporate governance issues. The Corporate Governance Committee is also responsible for formulating the response of the Company to the corporate governance guidelines and disclosure requirements adopted by The Toronto Stock Exchange on issues of corporate governance which is then reviewed and approved by the Board.

11. (a) *The Board, together with the CEO, should develop position descriptions for the Board and for the CEO, involving the definition of limits to management's responsibilities.*

(i) The Board

The Board operates pursuant to the mandate set out in the *Ontario Business Corporations Act*, which is to supervise the management of the business and affairs of the Company. The Board also seeks to act with a view to the best interests of the Company. Although the Board has no formal policy nor grant of authority setting out what specific matters must be brought by management to the Board for approval, there is a clear understanding between management of the Company and the Board through historical Board practice and accepted legal practice that all transactions or matters of material nature must be presented by management for approval by the Board. It has been the experience to date of the members of the Board that they have been kept well informed as to the business and affairs of the Company and that the matters which have been brought forward to the Board for approval have been appropriate.

(ii) The CEO

While the Chief Executive Officer of the Company does not have a specific written position description, the objectives of the Chief Executive Officer are reviewed and discussed annually with the Board and include the general mandate to manage the Company and maximize shareholder value. The Chief Executive Officer together with the Board will be formalizing the written position description of the Chief Executive Officer.

11. (b) *The Board should approve or develop the corporate objectives that the CEO is responsible for meeting.*

The general corporate objectives of the Chief Executive Officer of the Company are reviewed by the Board. The Chief Executive Officer together with the Board will be formalizing the process for the development and approval of the corporate objectives that the Chief Executive Officer is responsible for meeting.

12. *The Board should have in place appropriate structures and procedures to ensure that the Board can function independently of management. The Company should appoint a Chairman who is independent of management or assign responsibilities to a "Lead Director".*

Ned Goodman is the Chairman of the Board and the President and Chief Executive Officer of the Company. In the view of the Board, the Board has and continues to act independently of management notwithstanding the fact that Mr. Goodman occupies both offices of Chairman and Chief Executive Officer. In addition, the Board views the involvement of Mr. Goodman, the controlling shareholder of the Company, in the business and affairs of the Company, including the day-to-day operations of the Company as being important. The Board has established the Audit Committee, Compensation Committee and Corporate Governance Committee of the Board whose roles and responsibilities are described in this report. The Chairman of each of the Audit Committee, the Compensation Committee and the Corporate Governance Committee is an outside and unrelated director of the Company. When necessary or desirable, the Board has and will establish other committees composed of directors of the Company who are considered to be independent with respect to the issues to be reviewed and determined.

13. (a) *The roles and responsibilities of the Audit Committee should be specifically defined so as to provide appropriate guidance to Audit Committee members as to their duties.*

The Audit Committee is responsible for reviewing the Company's financial reporting procedures and internal controls and overseeing the Company's continuing compliance with financial disclosure obligations. The Audit Committee also periodically reviews and reports to the Board with respect to the design and implementation by management of effective internal control systems and on the financial statements prepared by the Company. The Audit Committee also discusses with management the Company's policies and procedures for risk management, reviews audit plans and meets with the internal and external auditors of the Company, with and without management, on an annual basis or more frequently as required and reviews the performance of and communication with the external auditors of the Company. The roles and responsibilities of the Audit Committee are set forth in the written mandate of the Audit Committee.

13. (b) *The Audit Committee of the Board should be composed only of outside directors.*

The Audit Committee is made up of three directors, the majority of whom are outside and unrelated directors of the Company. The Audit Committee includes one inside director of the Company who has extensive accounting and financial expertise. The members of the Audit Committee have determined that they wish to have this inside director of the Company as a member of the Audit Committee and view the involvement of this inside director as being very important in making the three-way communication among management of the Company, the Audit Committee and the auditors an open one, which is essential.

14. *The Board should implement a system that enables an individual director to engage an outside advisor at the expense of the Company in appropriate circumstances. The engagement of the outside advisor should be subject to the approval of an appropriate committee of the Board.*

The Company has a practice permitting the Board, any committee thereof and any individual director to engage independent external advisors at the expense of the Company when necessary. The mandate of the Corporate Governance Committee includes determining if the Board, any committee thereof or an individual director of the Company should retain, at the expense of the Company, an independent external advisor and the terms and conditions of such retainer.

DUNDEE BANCORP INC.
CORPORATE DIRECTORY

BOARD OF DIRECTORS

Ned Goodman
Chairman, President &
Chief Executive Officer,
Dundee Wealth Management Inc. and
Dundee Bancorp Inc. and
Chairman, Dynamic Mutual Funds Ltd.

Normand Beauchamp
Advisor,
Astral Media Inc.

Paul A. Carroll
Counsel to
Gowling, Lafleur, Henderson LLP

Jonathan Goodman
President & Chief Executive Officer,
Dynamic Mutual Funds Ltd. and
Executive Vice President,
Dundee Wealth Management Inc.
and Dundee Bancorp Inc.

Harold P. Gordon, Q.C.
Vice Chairman,
Hasbro, Inc.

Richard L. Lister
President & Chief Executive Officer,
Zemex Corporation

Dr. Frederick H. Lowy
Rector & Vice Chancellor,
Concordia University

Garth A.C. MacRae
Vice Chairman,
Dundee Bancorp Inc.

Richard J. Renaud
Chairman & Managing Partner,
Wynnchurch Capital Limited

K. Barry Sparks
Chairman,
Hawk Capital Corporation and
President,
Torvan Capital Group Inc.

Harry R. Steele
Chairman & Chief Executive Officer,
Newfoundland Capital Corporation Limited

OFFICERS

Ned Goodman
Chairman, President &
Chief Executive Officer

Garth A.C. MacRae
Vice Chairman

Ray Benzinger
Executive Vice President &
Chief Financial Officer
until May 10, 2001

Donald K. Charter
Executive Vice President

Jonathan Goodman
Executive Vice President

Carole Colbert
Vice President & Secretary

Joanne Ferstman
Vice President &
Chief Financial Officer
effective May 10, 2001

Lucie Presot
Controller

Lori E. Beak
Assistant Secretary

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